RH INTERNATIONAL FINANCE LIMITED

(incorporated in the British Virgin Islands with limited liability)
(as Issuer)

Guaranteed by

富豪酒店國際控股有限公司
Regal Hotels International Holdings Limited
(Incorporated in Bermuda with limited liability)
(as Guarantor)
(Stock Code: 78)

U.S.$1,000,000,000 Medium Term Note Programme

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

Please refer to the offering circular dated 30 June 2021 (the "**Offering Circular**") appended hereto in relation to U.S.$1,000,000,000 Medium Term Note Programme (the "**Programme**"). As disclosed in the Offering Circular, any notes (the "**Notes**") that may be issued under the Programme will be intended for purchase by professional investors only (as defined in Chapter 37 of the Listing Rules) and will be listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any Notes of the Issuer, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

2 July 2021

As at the date of this announcement, the directors of the Issuer are Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Allen Wan Tze Wai and Ms. Belinda Yeung Bik Yiu.

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

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

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

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

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Agents, The Hongkong and Shanghai Banking Corporation Limited and UBS AG Hong Kong Branch (the "**Joint Arrangers**"), any person who controls the Joint Arrangers, any director, officer, employee nor agent of the Issuer, the Guarantor, the Agents or the Joint Arrangers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Arrangers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

RH INTERNATIONAL FINANCE LIMITED

(incorporated in the British Virgin Islands with limited liability)
(as Issuer)

富豪酒店國際控股有限公司
Regal Hotels
International Holdings Limited

(incorporated in Bermuda with limited liability)
(as Guarantor)

(Stock code: 00078)

U.S.$1,000,000,000
Medium Term Note Programme

Under the U.S.$1,000,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), RH International Finance Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**") unconditionally and irrevocably guaranteed (the "**Guarantee of the Notes**") by Regal Hotels International Holdings Limited (the "**Guarantor**" or the "**Company**"). Notes may be issued in bearer or registered form. The aggregate principal amount of Notes outstanding will not at any time exceed U.S.$1,000,000,000 (or its equivalent in other currencies). The Notes may be issued on a continuing basis to the Dealer specified under "*Summary of the Programme*" or any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**" or "**HKSE**") for the listing of the Programme under which Notes may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, "**Professional Investors**") only during the 12 month period after the date of this Offering Circular on the Hong Kong Stock Exchange. **This Offering Circular is for distribution to Professional Investors only.**

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes to be issued under the Programme are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes to be issued under the Programme are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

HKSE has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer, the Guarantor and the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Notice of the aggregate principal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*" and each term therein, a "**Condition**") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Notes of such Tranche.

The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or any other stock exchange.

The Notes of each Series issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**") (collectively, the "**Global Note**"). Notes in registered form ("**Registered Notes**") will be represented by registered certificates (each an "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Global Notes and Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking S. A. ("**Clearstream**"), or with a sub-custodian for the Central Money Markets Unit Service (the "**CMU Service**") operated by the Hong Kong Monetary Authority. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Notes and the Guarantee of the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*".

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. The principal risk factors that may affect the ability of each of the Issuer and the Guarantor to fulfil each of their respective obligations in respect of the Notes are discussed under "*Risk Factors*" below.

Joint Arrangers

HSBC UBS

The date of this Offering Circular is 30 June 2021

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Issuer, the Guarantor, the Notes and the Guarantee of the Notes. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and its subsidiaries taken as a whole (the "**Group**"), the Notes and the Guarantee of the Notes, which is material in the context of the issue and offering of the Notes; (ii) the statements contained herein relating to the Issuer and the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly and reasonably made or held, have been reached after considering all relevant circumstances; (iv) there are no other facts in relation to the Issuer, the Group, the Notes or the Guarantee of the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Agents, the Joint Arrangers and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Agents, the Joint Arrangers or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Agents, the Joint Arrangers or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States, the European Economic Area, the United Kingdom, the Netherlands, Japan, the British Virgin Islands, Bermuda, Hong Kong, the PRC and Singapore, and to persons connected therewith. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of bearer notes, delivered within the United States. The Notes are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. For a description of certain restrictions on offers, sales and transfers of Notes and on the distribution of this Offering Circular, see "*Subscription and Sale*".

IMPORTANT – EEA RETAIL INVESTORS If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

IMPORTANT - UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) - The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Information Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group, or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

No person has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, any Agent, any Dealer, or either of the Joint Arrangers.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantor since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the

Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Agents, the Joint Arrangers, the Dealers, or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed U.S.$1,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S.$ at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of a Stabilising Manager) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and rules, over allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or any person acting on behalf of the relevant Stabilising Manager) in accordance with all applicable laws and rules.

Neither any of the Joint Arrangers, any of the Dealers nor any of the Agents has separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, neither the Joint Arrangers, any of the Dealers nor any of the Agents, or any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, neither the Joint Arrangers, the Dealers nor the Agents, or any director, officer, employee, agent or affiliate of any such person accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by either of the Joint Arrangers, a Dealer, an Agent or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Issuer, the Group or the issue and offering of the Notes. The Joint Arrangers, each Dealer and each Agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular and the applicable Pricing Supplement do not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Agents, the Joint Arrangers or the Dealers, or any director, officer, employee, agent or affiliate of any such person that any recipient, of this Offering Circular or of any such information, should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantor and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Joint Arrangers, the Dealers nor the Agents or agent or affiliate of any such person undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Arrangers, the Dealers or the Agents or any of them.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to "**U.S.$**" and to "**U.S. dollars**" are to United States dollars; all references to "**HK$**" and "**Hong Kong dollars**" are to Hong Kong dollars; all references to "**pounds sterling**" and "**£**" are to the currency of the United Kingdom; all references to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended; all references to "**S$**" are to Singapore dollars; all references to "**yen**" are to Japanese yen; all references to "**Renminbi**", "**RMB**" "**Chinese Yuan**" and "**CNY**" are to the currency of the PRC; all references to "**United States**" or "**U.S.**" are to the United States of America; references to "**China**", "**Mainland China**" and the "**PRC**" in this Offering Circular mean the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong; references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; references to "**Macau**" are to the Macau Special Administrative Region of the People's Republic of China; and all references to the "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland.

FORWARD LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Group*" and elsewhere in this Offering Circular constitute "*forward-looking statements*". The words including "*believe*", "*expect*", "*plan*", "*anticipate*", "*schedule*", "*estimate*" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's or the Guarantor's expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the Issuer and the Guarantor from time to time, together with the audit or, as the case may be, review reports thereon (if any) and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any day (Saturdays, Sundays and public holidays excepted) on which banks are open for business in the place of the specified offices of the Paying Agents and the principal office in Hong Kong of the Fiscal Agent (as defined under "*Summary of the Programme*") (or such other Paying Agent for the time being in Hong Kong) set out at the end of this Offering Circular.

PRESENTATION OF FINANCIAL INFORMATION

As at the date of this Offering Circular the Issuer has not published, and does not propose to publish, any financial statements.

The Guarantor has prepared audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020. See "*Index to Financial Statements*". These financial statements of the Guarantor were prepared in conformity with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants. See "*General Information*" for a description of the financial statements currently published by the Guarantor.

CONTENTS

Page

SUMMARY 7
SUMMARY OF THE PROGRAMME 9
SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR 13
RISK FACTORS 16
USE OF PROCEEDS 42
FORMS OF THE NOTES 43
TERMS AND CONDITIONS OF THE NOTES 49
FORM OF PRICING SUPPLEMENT 79
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM 90
CAPITALISATION 92
DESCRIPTION OF THE ISSUER 93
DESCRIPTION OF THE GROUP 94
DIRECTORS 109
TAXATION 116
REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC 117
SUBSCRIPTION AND SALE 119
GENERAL INFORMATION 125
INDEX TO FINANCIAL STATEMENTS 1

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the meaning when used in this Summary. Prospective investors should therefore read this Offering Circular in its entirety.

Overview

The principal activity of the Company is that of a holding company. The principal activities of the Company's subsidiaries are hotel ownership through Regal Real Estate Investment Trust ("**Regal REIT**"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("**P&R Holdings**" and together with its subsidiaries the "**P&R Group**"), aircraft ownership and leasing business, and other investments including financial assets investments.

Corporate Information

The Company is a limited liability company incorporated in Bermuda. The head office and principal place of business in Hong Kong of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

Business Organisation

The Group is principally engaged in hotel operations, management and ownership through its listed subsidiary, Regal REIT, property development and investment (including through P&R Holdings), aircraft ownership and leasing business and other investments. Regal REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance of Hong Kong.

Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, has acted as the REIT manager of Regal REIT since 2006. The Company and Regal REIT are two separate listed entities and their business operation and decision-making are independent of each other.

Competitive Strengths

- Strong market recognition for the Group's brand and quality
- Sophisticated systems and long-standing business relationships
- A well-established portfolio of high quality assets in different strategic locations in Hong Kong, making the Group one of the market leaders in the hotel industry in Hong Kong
- The Group will look to further develop its successful "iclub" brand concept, which complements but sets itself apart from the traditional Regal brand
- The success of the Regal Airport Hotel in Hong Kong, voted the best airport hotel in the world for twelve consecutive years from 2008 to 2019, provides a platform for continued success in this area of the hospitality industry
- Committed to achieving a high occupancy rate and room rates in the Group's hotels in Hong Kong providing optimal profit margins after recovery from the pandemic
- Steady cashflow and income from property development projects in Hong Kong and the PRC
- Prudent financial management and a conservative capital structure with a healthy level of liquidity
- Strong and stable management team with extensive experience and capabilities

Strategies

- The Group will continue to seek acquisition opportunities to maintain its strong standing in the local Hong Kong market
- The Group will continue to seek acquisition opportunities overseas
- The Group will continue to invest in property projects and would fund expansion of its activities through the continuing gradual disposal of its properties at optimal prices
- The P&R Group will leverage the strong name recognition and branding of the Group, and develop the network associated with the Group
- Long-term strategy to focus on growth in the PRC of the Group's hotel operation and management business to broaden the strength of the Group's property portfolio and product offering
- The Group will position itself to benefit from improving the guest mix through the increasing exposure to individual-traveller and business travel market

Recent Developments

Occupation Permit for Regala Skycity Hotel

The occupation permit for the Regala Skycity Hotel, the Group's second hotel at the Hong Kong International Airport, was recently issued in March 2021 and the hotel is planned to be opened for business in the later part of 2021 after the hotel licence is obtained. This new hotel has a total of 1,208 guestrooms and suites, complemented with extensive food and beverage, banqueting and meeting facilities.

Mount Regalia Facility

In February 2021, a refinancing for a three-year term in an aggregate facility amount of HK$4,125 million secured on the Mount Regalia properties was completed with a syndicate of bank lenders. The facility is divided into two separate tranches. The first tranche is a term loan to P&R Holdings in a facility amount of HK$3,000 million, which is extendable for a further term of two years subject to certain conditions. The other tranche is a revolving loan in a facility amount of HK$1,125 million made directly available to the Group, which will serve to further strengthen the Group's financial resources.

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

The Group is developing, through one of its wholly owned subsidiaries, a commercial/residential project named as "The Queens" at No. 160, Queen's Road West, Hong Kong. The project will have a total of 130 residential units with club house facilities and commercial accommodations. The foundation works have been completed and the superstructure works are in progress. The project is expected to be completed in 2022. Presale of the residential units in this development has recently been launched.

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer:	RH International Finance Limited. The Legal Entity Identifier of the Issuer is 5493009PSH4G32XBT796.
Guarantor:	Regal Hotels International Holdings Limited.
Programme Size:	Up to U.S.$1,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of each of the Issuer and the Guarantor to fulfil its obligations in respect of the Notes are discussed under the section "*Risk Factors*" below.
Joint Arrangers:	The Hongkong and Shanghai Banking Corporation Limited and UBS AG Hong Kong Branch.
Dealers:	The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch and any other Dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent, Paying Agent and Transfer Agent:	Deutsche Bank AG, Hong Kong Branch.
Registrars:	Deutsche Bank Luxembourg S.A.in respect of Notes other than the CMU Notes. Deutsche Bank AG, Hong Kong Branch in respect of the CMU Notes.
CMU Lodging and Paying Agent:	Deutsche Bank AG, Hong Kong Branch.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Clearing Systems:	Clearstream, Euroclear and/or the CMU Service and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor, the Fiscal Agent, and the relevant Dealer(s).

Form of Notes:	Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Clearstream, Euroclear and/or as the case may be, the CMU Service and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Registered Global Notes. Registered Global Notes representing Registered Notes will be registered in the name of a nominee for one or more of Euroclear, Clearstream and the CMU Service.
Currencies:	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes:	The Notes constitute direct, general and unconditional obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations as described in "*Terms and Conditions of the Notes — Status and Guarantee*".
Status of the Guarantee:	The Guarantee of the Notes constitutes a direct, general and unconditional obligation of the Guarantor. The payment obligations of the Guarantor under the Guarantee of the Notes shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations as described in "*Terms and Conditions of the Notes — Status and Guarantee*".
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Maturities:	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Redemption:	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.
Tax Redemption and Change of Control Redemption:	Except as described in "Optional Redemption" above, early redemption will only be permitted (i) for tax reasons as described in Condition 10(b) (*Redemption and Purchase — Redemption for tax reasons*) and (ii) following a Change of Control as described in Condition 10(f) (*Redemption and Purchase — Redemption for Change of Control*).
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
Denominations:	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge:	The Notes will contain a negative pledge provision as further described in Condition 5 (*Negative Pledge*).
Cross Default:	The Notes will contain a cross default provision as further described in Condition 14 (*Events of Default*).
Withholding Tax:	All payments in respect of Notes and the Guarantee of the Notes will be made free and clear of withholding taxes in the British Virgin Islands and Bermuda, as the case may be, unless the withholding is required by law. In that event, the Issuer or (as the case may be) the Guarantor will (subject to certain customary exceptions as described in Condition 13 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes or, as the case may be, the Guarantee of the Notes, had no such withholding been required.
Listing and Trading:	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme under which Notes may be issued during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only. Separate application will be made for the listing of the Notes on the Hong Kong Stock Exchange. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the

	Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system. Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Governing Law:..........................	The Notes, the Guarantee of the Notes and any non-contractual obligations arising out of or in connection with the Notes and the Guarantee of the Notes will be governed by, and construed in accordance with, English law.
Enforcement of Notes in Global Form:	In the case of Global Notes and Global Certificates, individual investors' rights against the Issuer will be governed by an amended and restated Deed of Covenant dated 30 June 2021, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, the Netherlands, Japan, the British Virgin Islands, Bermuda, Hong Kong, the PRC and Singapore, see "*Subscription and Sale*" below.
Initial Delivery of Notes:............	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU Service or any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee or a sub-custodian for, such clearing systems.

SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR

The summary financial information as at and for the years ended 31 December 2018, 2019 and 2020 set forth below has been extracted from the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020, and should be read in conjunction with the information incorporated into this Offering Circular.

Consolidated Statement of Profit or Loss

	For the year ended 31 December		
	2018	2019	2020
		HK$ million	
Revenue	2,614.1	2,226.2	678.7
Cost of sales	(1,400.4)	(1,210.5)	(592.9)
Gross profit	1,213.7	1,015.7	85.8
Other income and gains, net	311.7	268.7	270.0
Fair value gains on financial assets at fair value through profit or loss, net	75.5	300.0	159.8
Fair value gains/(losses) on investment properties, net	5.6	(5.2)	(72.9)
Impairment loss on items of property, plant and equipment	–	–	(90.1)
Property selling and marketing expenses	–	(9.2)	(14.0)
Administrative expenses	(279.1)	(251.1)	(173.1)
Operating profit before depreciation	1,327.4	1,318.9	165.5
Depreciation	(512.9)	(530.2)	(522.5)
Operating profit/(Loss)	814.5	788.7	(357.0)
Finance costs	(381.4)	(412.5)	(290.1)
Share of profits and losses of:			
Joint ventures	174.1	57.5	(236.1)
Associates	0.4	36.4	(0.7)
Profit/(Loss) before tax	607.6	470.1	(883.9)
Income tax	(40.8)	(10.5)	(12.9)
Profit/(Loss) for the year before allocation between equity holders of the parent and non-controlling interests	566.8	459.6	(896.8)
Attributable to:			
Equity holders of the parent	547.7	454.6	(885.9)
Non-controlling interests	19.1	5.0	(10.9)
	566.8	459.6	(896.8)
Earnings/(Loss) per ordinary share attributable to equity holders of the parent			
Basic and diluted	HK$0.48	HK$0.38	HK$(1.11)

Consolidated Statement of Comprehensive Income

	For the year ended 31 December		
	2018	2019	2020
		HK$ million	
Profit/(Loss) for the year before allocation between equity holders of the parent and non-controlling interests	566.8	459.6	(896.8)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations	(15.9)	(23.7)	54.8
Share of other comprehensive income/(loss) of:			
A joint venture	(54.3)	211.9	47.9
An associate	(0.1)	(0.1)	0.1
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(70.3)	188.1	102.8
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Fair value loss on an equity investment designated at fair value through other comprehensive income	–	(228.9)	–
Share of other comprehensive income of:			
A joint venture	–	–	758.0
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	–	(228.9)	758.0
Other comprehensive income/(loss) for the year	(70.3)	(40.8)	860.8
Total comprehensive income/(loss) for the year	496.5	418.8	(36.0)
Attributable to:			
Equity holders of the parent	477.4	414.0	(25.6)
Non-controlling interests	19.1	4.8	(10.4)
	496.5	418.8	(36.0)

Consolidated Statement of Financial Position

	As at 31 December		
	2018	2019	2020
		HK$ million	
Non-current Assets			
Property, plant and equipment	18,529.9	7,962.4	8,596.5
Investment properties	1,147.2	1,052.1	900.6
Right-of-use-assets	–	11,197.7	10,917.3
Properties under development	897.9	443.2	444.3
Investments in joint ventures	3,539.9	3,967.2	4,010.1
Investments in associates	16.5	52.9	11.3
Financial assets at fair value through profit or loss	550.1	755.8	743.6
Other loan	1,062.0	1,062.0	–
Debtors and deposits	5.7	78.4	77.3
Deferred tax assets	42.9	47.5	50.1
Total non-current assets	25,792.1	26,619.2	25,751.1
Current Assets			
Properties under development	–	868.7	927.2
Properties held for sale	223.1	237.7	240.2
Inventories	27.8	29.6	25.2
Aircraft held for sale	5.9	–	–
Debtors, deposits and prepayments	308.2	226.6	282.1
Financial assets at amortised cost	481.3	–	–
Financial assets at fair value through profit or loss	2,721.8	2,455.7	1,941.1
Other loans	267.3	390.8	535.9
Derivative financial instruments	28.4	3.1	–
Tax recoverable	7.2	4.5	7.7
Restricted cash	68.5	76.0	88.5
Pledged time deposits and bank balances	24.0	357.0	311.3
Time deposits	893.5	631.5	81.9
Cash and bank balances	888.8	801.6	2,267.1
Total current assets	5,945.8	6,082.8	6,708.2
Current Liabilities			
Creditors, deposits received and accruals	(425.8)	(332.1)	(274.7)
Contract liabilities	(42.6)	(43.3)	(53.6)
Lease liabilities	–	(16.6)	(12.0)
Interest bearing bank borrowings	(1,174.8)	(1,747.0)	(7,426.3)
Other borrowings	–	–	(2,707.0)
Derivative financial instruments	(1.0)	–	–
Tax payable	(25.6)	(59.8)	(27.3)
Total current liabilities	(1,669.8)	(2,198.8)	(10,500.9)
Net current assets/(liabilities)	4,276.0	3,884.0	(3,792.7)
Total assets less current liabilities	30,068.1	30,503.2	21,958.4
Non-Current Liabilities			
Creditors and deposits received	(97.0)	(145.0)	(104.5)
Lease liabilities	–	(36.5)	(15.8)
Interest bearing bank borrowings	(10,925.8)	(11,309.5)	(5,880.2)
Other borrowings	(2,725.9)	(2,716.7)	–
Deferred tax liabilities	(883.8)	(839.7)	(801.8)
Total non-current liabilities	(14,632.5)	(15,047.4)	(6,802.3)
Net assets	15,435.6	15,455.8	15,156.1
Equity			
Equity attributable to equity holders of the parent			
Issued capital	89.9	89.9	89.9
Reserves	12,774.2	12,908.8	12,716.3
	12,864.1	12,998.7	12,806.2
Perpetual securities	1,732.9	1,732.9	1,732.9
Non-controlling interests	838.6	724.2	617.0
Total equity	15,435.6	15,455.8	15,156.1

RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

In addition, certain factors which may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or, as the case may be, the Guarantor, to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which it may not currently be able to anticipate.

Neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including each document incorporated by reference herein) and reach their own views prior to making any investment decision.

Risks Relating to the Issuer

Holding company structure

The Issuer is a wholly-owned subsidiary of the Guarantor formed for the principal purposes of issuing the Notes and will on-lend the entire proceeds from the issue of the Notes to the Group. The Issuer does not and will not have any net assets other than such on-lent loans and its ability to make payments under the Notes depends on timely payments under such loans. In the event that the Guarantor and/or its subsidiaries do not make such payments due to limitations in such loans or other agreements, lack of available cashflow or other factors, the Issuer's ability to make payments under the Notes could be adversely affected.

The Guarantor is primarily a holding company and its ability to make payments in respect of the Guarantee of the Notes or to fund payments by the Issuer depends largely upon the receipt of dividends, distributions, interest, advances or repayment of loans or other receivables from its wholly or partly owned subsidiaries, its associates and the Group's joint ventures. The ability of the subsidiaries and associates of the Guarantor and the Group's joint ventures to pay dividends and other amounts to the Guarantor may be subject to their profitability and liquidity position and to applicable laws and regulations and to restrictions on the payment of dividends contained in financing or other agreements. Payments under the Guarantee of the Notes are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries (other than the Issuer), its associates and the Group's joint ventures. Claims of creditors of such entities will have priority as to the assets of such companies over the Guarantor and its creditors, including holders of the Notes seeking to enforce the Guarantee. In addition, a significant amount of the Guarantor's subsidiaries' indebtedness is secured on the assets of those subsidiaries, and the beneficiaries of the security will have priority as to those assets, which would reduce the amount available to unsecured parties, including holders of the Notes, in the event of an insolvency.

The terms of the Notes do not restrict the ability of the Guarantor's subsidiaries, associates and joint ventures to incur additional debt. In addition, further issues of equity interests by such subsidiaries, associates and joint ventures may dilute the ownership interest of the Guarantor in such entities.

The Issuer is a special purpose entity

The Issuer is a special purpose entity incorporated in the British Virgin Islands for the principal purposes of issuing the Notes. (See "*Risks Relating to the Issuer— Holding company structure*" above). On certain dates, including the occurrence of an early redemption event and at maturity of the Notes, the Issuer may, and at maturity, will be required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by the Issuer would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

Risks Relating to the Group and its Business

The global economy is facing significant uncertainties and disruptions caused by COVID-19

The World Health Organization declared the novel coronavirus ("**COVID-19**") to be a global pandemic on 11 March 2020. The sudden and rapid spread of COVID-19 across the globe covering Asia, North and South America, Europe and the Middle East has put pressure on most economies due to disruption of business activities and weakened sentiment in the consumption and tourism related sectors.

The outbreak of COVID-19 in different parts of the world, including places in which the Group operates, has a significant adverse impact on most economies due to the community standstill, disruption of business activities, and weakened sentiment in the consumption and tourism related sectors. As the situation in relation to COVID-19 is still evolving, the heightened uncertainties surrounding the pandemic may pose a negative impact on the Group's businesses, financial conditions, results of operations or growth prospects. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease, and if such an outbreak were to occur, it may have an impact on the operations of the Group and its results of operations may suffer.

Governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures including tax cuts, direct subsidies, rates cut, bond repurchase programs and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the epidemic, stabilise the markets and provide liquidity easing to the markets. There is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering their policy objectives. There is no assurance that these measures will be successful in containing the economic impact of the epidemic or stabilising the markets.

As a result, the global economy is facing significant uncertainties and the global financial markets are experiencing significant volatilities. Such volatilities may negatively impact the share prices of the entities in which the Group has equity investments in. Any potential economic slowdowns may negatively affect the purchasing powers of potential property purchasers and potential tenants, which may lead to a decline in the general demand for the Group's properties and erosion of their valuation, selling prices and rental income. In addition, the COVID-19 pandemic has impacted both domestic and tourist spending, with the traffic flow and tenant sales of the Group's shopping mall and shops in Hong Kong and the PRC under pressure. Moreover, governments may also impose various monetary and regulatory policies to combat potential economic slowdowns. Such policies may include measures affecting the property market. If the global financial markets continue to experience volatility or if the Hong Kong or the PRC economy slows down, the Group's business, financial condition and outlook may be adversely affected.

With the imposition of mandatory quarantine measures imposed on foreign visitors in Hong Kong and the PRC and other travel restrictions imposed by governments around the globe, the Group's hotel operation business has been and will continue to be significantly impacted. Faced with this completely changed operating environment, the Group has been promoting, since March 2020, competitively-priced packages to attract local long staying and staycation guests. Moreover, the Regal Oriental Hotel was leased to the Hong Kong Government in April 2020 for use as a holding facility for incoming visitors to Hong Kong while waiting for their COVID-19 test results, which lasted until August 2020. Through these adjusted business strategies and the implementation of cost saving measures, the Group has managed to achieve during the year ended 31 December 2020 a modest gross operating profit in the overall business operations of its hotels in Hong Kong, though the quantum was far short of those in the prior years when the Group's hotels were operating under normal market conditions. Gross profit from hotel operations fell to HK$52.8 million during the year 31 December 2020, as compared to HK$716.7 million in 2019 and HK$1,060.6 million in 2018. There is no assurance that such strategies and costs cutting measures, or other strategies and measures adopted or to be adopted by the Group, will be successful in mitigating the impact of the COVID-19 pandemic on the Group's hotel operation business in the future. Please see "*Description of the Group – Core Business*" for further information.

The Group is exposed to the risk of events that adversely impact domestic or international travel

Hotel operation is one of the Group's main sources of revenue and operating profits and is heavily dependent on visitor numbers. The global outbreak of COVID-19 has had a significant impact on the tourism and hospitality sectors, which has also adversely impacted the Group's hotel operating performance. The hotel business is cyclical and sensitive to changes in the global economy in general. Since demand for hotel services is affected by economic growth, a global or regional recession could lead to a downturn in the hotel industry. There can be no guarantee that economic recession or a situation of prolonged difficulties in the hotel industry, tourism industry, or in international, national and local economies, will not have an adverse effect on the Group.

The Group's results have been and will continue to be significantly affected by factors outside the Group's control in addition to the outbreak of COVID-19 as mentioned above. These include political unrest and other events which may affect the level of global travel and business activity, such as the conflict in Iraq, the tsunami in South Asia in December 2004, the earthquake, tsunami and nuclear crisis in northeast Japan in March 2011, the conflicts and civilian uprisings in Egypt, the Middle East and North Africa and the outbreak of mass communicable diseases such as severe acute respiratory syndrome ("**SARS**") in early 2003 had an adverse effect on all levels of business. The outbreak of SARS led to a significant decline in travel volumes and business activities throughout most of the Asian region.

There have been sporadic outbreaks of the H5N1 virus or "Avian Influenza" among birds and in particular poultry, as well as some isolated cases of transmission of the virus to humans. There have also been outbreaks among humans of the influenza A/H1N1 virus globally. On 11 June 2009, the World Health Organisation raised its global pandemic alert to Phase 6 after considering data confirming the outbreak. To date, there have been a large number of confirmed cases of influenza A/H1N1 globally. Since 2012, an outbreak of the Middle East Respiratory Syndrome coronavirus ("**MERS**") has affected several countries, primarily in the Middle East. The occurrence of outbreaks of COVID-19, Zika Virus, SARS, MERS or of another highly contagious disease may result in another economic downturn and may have an adverse effect on the overall level of business and travel in the affected areas. It may also disrupt the Group's business operations and consequently have an adverse effect on its financial condition and operating results.

The hotel sector may be unfavourably affected by other factors such as government regulation, changes in local market conditions, competition in the industry, excess hotel supply or reduced international or local demand for hotel rooms and associated services, foreign exchange fluctuations, the interest rate environment, the availability of finance and other natural and social factors.

The hotel industry is also affected by seasonality depending on the location and category of hotels. In addition, demographic, geographic or other changes in one or more of the Group's markets could impact the convenience or desirability of the sites of its hotels, which may adversely affect the operations of those hotels.

The Group's business may be affected by the uncertainty of the global economy, social movement and political unrest

Since the global financial crisis which arose due to problems linked with the sub-prime residential mortgage market in the United States, global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions. Although global economic conditions have improved and certain credit markets have shown signs of recovery in 2011 due, in large part, to stimulus measures adopted by various governments, there can be no assurance that these credit markets will continue to recover or that the various governments will maintain their stimulus measures or that such measures would continue to be as effective as before. The global economy and financial markets have been affected by the ongoing sovereign debt crises in several member countries of the European Union in late 2011 to the present, and more recently, the tapering of the simulative quantitative easing policy, and the potential interest rate increase, by the U.S. Federal Reserve, the economic slowdown of the PRC, the political instability in the Korean Peninsula and the enhanced market volatility stemming from the exit of the United Kingdom from the European Union ("**Brexit**") effective from 31 January 2020. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and may also create a negative economic impact and increase volatility in global markets. Furthermore, the rising trade tensions between the United States, China and other major nations create uncertainties in the world economy and global financial market. Starting in April 2018, the United States imposed tariffs on various categories of imports from China, and the PRC responded with similarly sized tariffs on the United States' products. In January 2020, the United States and China entered into "phase one" of an economic and trade agreement as an initial step towards resolving the trade war disputes between them. The effect of such an agreement remains elusive, and the lasting impacts any trade conflict may have on the global economic conditions remain uncertain. In July 2020, the United States imposed sanctions on certain Chinese companies from purchasing U.S. technology and products without a special licence. In addition, in 2020 and early 2021 the U.S. Department of Defense and the U.S. Department of Treasury released lists of Chinese companies identified as "Communist Chinese Military Companies" ("**CCMCs**") based on the U.S. government's determination that the companies were controlled by the Chinese military. Under Executive Order 13959 of November 2020, as amended in January 2021, the U.S. government issued certain restrictions on U.S. persons purchasing, selling or holding publicly traded securities, or any securities that are derivative of, or are designed to provide investment exposure to such securities, of such companies. On 3 June 2021, the U.S. issued Executive Order 14032 that amended these restrictions, including by removing the restrictions on CCMCs and replacing them with restrictions on an initial list of 59 "Chinese Military-Industrial Complex Companies ("**CMICs**"). Although neither the Issuer nor the Guarantor are on the CCMC or CMIC list, it remains unclear whether the United States will impose further sanctions on more Chinese companies in the future. Any prolonged tension between the two countries over trade policies could result in further volatility in global markets.

Continued concerns about the systemic impact of potential long-term and widespread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for economic growth around the world. The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, unemployment rate remains high, and recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, political unrest in various countries has resulted in economic instability and uncertainty.

In recent years, the PRC Government has carried out broad reform of the PRC's markets, including recent reforms following the Third Plenum of the 18th Communist Party of China Central Committee in November 2013. Further reforms may be carried out by the PRC Government in the future. If the Group is unable to appropriately adjust its operations in accordance with such policies, its financial condition and results of operations could be adversely affected.

The PRC Government has relatively strong ability to implement macroeconomic control measures. The PRC's GDP growth maintained its rapid pace for years before the global financial crisis in 2008. In response to the impact on the Chinese economy from the global financial crisis, the PRC Government implemented a series of economic incentive measures and relatively loose monetary policies since the second half of 2008, including a RMB4 trillion economic stimulus package and lowering the deposit reserve rate. These measures helped lead China's economy out of crisis and promote global economic recovery, but they also accelerated the increase in real estate prices, led to excess production capacity, and exacerbated problems of local government debt increased.

Since 2014, China's economy has been facing downward pressure due to the sluggish foreign demand excess production capacity and adjustments in real estate market. If the PRC's economic growth continues to slow down, the Group's business in the PRC could be materially affected.

In Hong Kong, social movements such as Occupy Central in 2014 and social unrest since June 2019 also had an adverse impact on the local tourism industry and consumer confidence.

The economic outlook has negatively affected business and consumer confidence and contributed to significant levels of volatility. Any recurrence of a global financial crisis, which could potentially be sparked by the recent market volatility attributed to concerns over several European countries, may cause a further slowdown the global economy. Continued turbulence in the international markets and prolonged declines in consumer spending may adversely affect the business, results of operations and financial condition of the Group. The volatility of global markets has had an adverse impact on the performance of the investment portfolios of the Group. There is no assurance that global markets will not continue to be volatile and thus affect the Group's various segmental revenue in the future.

Operating Risks

The Group's results are partly affected by occupancy and room rates achieved by its hotels, its ability to manage costs (including increases in labour costs and rents), the relative mix of owned, leased and managed properties, the success of its food and beverage operations and the change in the number of available hotel rooms through acquisition, development and disposition. Additionally, the Group's ability to manage costs could be adversely impacted by increases in energy, natural resources, healthcare, insurance and other operating expenses, resulting in lower operating margins. The Group's properties use significant amounts of electricity and other forms of energy. Substantial increases in the cost of energy in the markets in which the Group operates could also negatively impact the Group's operating results. Similarly, the hotel business of the Group is dependent on its IT information systems and electronic booking and reservation systems which, were they to fail, could adversely affect occupancy levels.

The Group is also subject to the risk of loss of revenues and assets due to fire or natural disasters. The occurrence of such disasters could interrupt the business of such hotels for significant periods. Although the Group has insurance coverage in place, the insurance coverage may not be adequate to cover all types of risks or the entire quantum of loss. In addition, inadequate preparedness, contingency planning or recovery capability in relation to a major incident or crisis may prevent operational continuity and consequently impact the value of the brand or the reputation of the Group.

Relations between the Group and its employees could deteriorate due to disputes related to, among other things, wage or benefit levels. The Group's operations rely heavily on employees and on the employees' ability to provide high-quality personal service to guests. Shortage of skilled labour or industrial action by employees, trade or other unions could adversely affect the Group's ability to provide these services and could lead to reduced occupancy or potential damage to the reputation of the Group. In addition, the Group relies on certain key employees. If these particular employees should cease to be employed by the Group, this could adversely affect the Group's operations.

The Group is reliant on the reputation of its brands and the protection of its intellectual property rights

Any event that materially damages the reputation of the Group's brand and/or failure to sustain the appeal of the Group's brand to its customers could have an adverse impact on the value of that brand and subsequent revenues from that brand or business. In addition, the value of the Group's brands is influenced by a number of other factors, some of which may be outside the Group's control, including commoditisation (whereby price and/or quality becomes relatively more important than brand identifications due, in part, to the increased prevalence of third-party intermediaries), consumer preference and perception, failure by the Group to ensure compliance with the significant regulations applicable to hotel operations (including fire and health and safety requirements), or other factors affecting consumers' willingness to purchase goods and services, including any factor which adversely affects the reputation of those brands.

In particular, where the Group is unable to enforce adherence to its operating and quality standards, or the significant regulations applicable to hotel operations, pursuant to its management contracts, there may be a further adverse impact upon brand reputation or customer perception and therefore the value of the hotel brands. Given the importance of brand recognition to the Group's business, the Group has implemented measures to protect its intellectual property, including registration of trademarks and domain names. However, the controls and laws are variable and subject to change. Any widespread infringement, misappropriation or weakening of the control environment could materially harm the value of the Group's brands and its ability to develop the business.

The Group faces competition in the markets in which it operates

Hotels owned, managed or operated by the Group compete with other hotels for guests in a highly competitive industry. The success of a hotel in its market, in large part, is dependent on its ability to compete in areas such as room rates, quality of accommodation, brand recognition, service level, convenience of location and the quality and scope of other amenities, including food and beverage facilities. Hotels compete with existing hotel facilities in their geographic markets, as well as hotel facilities that may be developed in the future in proximity to the existing hotels. The hotels owned, managed or operated by the Group are generally located in areas that contain numerous competitors.

Some of the Group's competitors may have substantially greater marketing and financial resources than the Group, and they may significantly expand or improve their facilities, reduce their prices or expand or improve their marketing programmes and conduct better maintenance of existing operations and developments in ways that may adversely affect the operations of the Group.

The Company has entered into a non-competition agreement with Regal REIT

The Company entered into a deed of non-competition with Regal REIT relating to the delineation of their respective businesses when Regal REIT was separately listed in March 2007, which is intended to address potential business conflicts that may arise between the Group (excluding Regal REIT) and Regal REIT. Under the deed of non-competition, the Company has granted to Regal REIT, among other things, a right of first refusal to purchase any of the Group's majority interest in any hotel in the PRC, Hong Kong, Macau and Taiwan that it may wish to dispose of in the future. The Company has also agreed to grant a right of first opportunity to purchase or acquire any majority interests in any new hotels in the PRC, Hong Kong, Macau and Taiwan that the Group wishes to acquire. In addition, the Company has undertaken with Regal REIT, among other things, that it will not operate any hotels under the "Regal" brand name in Hong Kong, unless they are majority owned by Regal REIT, for so long as any member of the Group remains a hotel manager of any hotel owned by Regal REIT in Hong Kong and operating under the "Regal" brand. As the Company has agreed to the restriction on its business with Regal REIT, there is the possibility that the growth of the Group (excluding Regal REIT) could be hindered, which could have an adverse effect on its business, financial condition and/or results of operations.

The Group may not be able to secure renewals of existing lease or management agreements on the same terms, more favourable terms or at all

The Group has entered into lease agreements and/or hotel management agreements in respect of certain properties. Such agreements may not be renewed when they expire and in certain circumstances can be terminated prior to their expiration. Moreover, since lease and hotel management agreements are subject to renewal on mutually agreeable terms, there can be no assurance that existing leases or hotel management agreements may be renewed on the same terms or at all.

The Group has also entered into land use rights agreements for lands on which hotel properties and/or investment properties are built for a fixed period of time. There can be no assurance that such agreements may be renewed or may be renewed on more favourable terms when they expire or at all.

The Group may require additional capital in the future, which may not be available or may only be available on unfavourable terms

The Group's business is substantially dependent on its hotel properties, property investments and development projects. The acquisition and development of hotels and other properties, and the ongoing renovations, refurbishments and improvements required to maintain or upgrade existing properties to a high standard, are capital intensive. The Group's capital requirements primarily depend on the amount of capital expenditure required, the pace of new hotel developments, other projects and operations and ongoing maintenance. The Group may need to raise additional funds to meet these requirements. However, any equity or debt financing, if available at all, may be on terms that are not favourable to the Group. The availability of future borrowings and access to the capital markets for financing depends on prevailing market conditions and the acceptability of the financing terms offered. This could also be affected by the Guarantor's market value, which is as of the date of this Offering Circular, at a discount to the audited book value of its net assets. The Group's ability to arrange for external financing and the cost of such financing is dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, success of the Group's businesses, provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital and political and economic conditions. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group. If the Group fails to obtain necessary funding on acceptable terms or at all, it may be forced to delay capital development projects, renovations and development activities, potential acquisitions and investments or otherwise curtail or cease operations.

The Group is subject to numerous laws and regulations in the markets in which it operates

The Group is subject to numerous laws and regulations in both Hong Kong and the PRC, including those relating to hotel and property development, investment and operation, food and beverages and laws and regulations governing relationships with employees. Furthermore, the success of the Group's strategy to expand its existing properties, acquire new properties or to open newly-constructed properties for business is contingent upon, among other things, receipt of all required licences, permits and authorisations, including local land use permits, building and zoning permits, environmental, health and safety permits and liquor and/or alcohol licences. Changes or concessions required by regulatory authorities could also involve significant costs and delay or prevent completion of the construction or opening of a project or could result in the loss of an existing licence. The PRC Government has tightened and may further tighten the restrictions on the issue of Hong Kong visitor visas, which might affect the local hotel industry and economy as a whole.

The Group is exposed to the risk of litigation

The Group may be involved in disputes arising out of the operation of its business with many parties, including joint venture partners, guests, customers, employees, regulatory authorities, suppliers, lessors and/or the owners of hotels managed by it.

Significant costs may have to be incurred in defending the Group in such proceedings. In addition, exposure to litigation or fines imposed by regulatory authorities may also affect the reputation of the Group. Such risk could have an adverse effect on the Group's business, financial condition and/or results of operations.

The Group is exposed to certain uninsured risks

The Group maintains insurance policies which are in line with the practice in the various industries in which it operates and with policy specifications and insured limits which the Group believes are adequate. Risks to be insured against include fire, business interruption, lightning, flooding, theft, vandalism, rental loss, and public liability claims. There are, however, certain types of losses (such as from wars, acts of God, the outbreak of contagious diseases, or any associated losses) for which the Group cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the relevant property, as well as anticipated future revenue and, in the case of debt or other financial obligations that are with recourse to the Group, the Group may remain liable for financial obligations related to any such property. Any such loss could adversely affect the financial condition of the Group.

The Group's insurance policies and terms of coverage will need to be renewed and negotiated in the future. The Group will regularly monitor the state of the insurance market, but it cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect the Group's business, financial condition and results of operations.

Potential liability for environmental problems could result in costs to the Group

The Group is subject to various local laws and regulations concerning the protection of health and the environment and heritage conservation where it operates. Changes in related laws and regulations from time to time may cause the Group to incur compliance and other costs to meet the new requirements.

For new development projects, the particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, its environmental condition, the present and former uses of the site, as well as any adjoining properties. Environmental laws and conditions may result in delays to the Group's property developments, may cause the Group to incur compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas. Projects undertaken by the Group may be required under applicable laws and regulations to undergo environmental impact assessments. Further, an environmental impact assessment document may be required to be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request the Group to submit additional environmental impact documents, issue orders to suspend the construction and/or impose penalties for any projects that have not, prior to the commencement of construction, received approval following the submission of the environmental impact assessment documents.

Although to date no environmental investigation has been conducted which revealed any environmental liability that the Group believes would have a material adverse effect on its business, financial condition and/or results of operations, it is possible that any of these investigations did not reveal all environmental liabilities, or that there are material environmental liabilities of which the Group is unaware.

The Group is subject to change in tax laws and tax rates in the markets in which it operates

The Group's hotel properties, development projects and other businesses are subject to profit and/or income tax and other applicable taxes. There is no guarantee that tax laws and/or tax rates may not be changed in the future. Any change in tax laws and/or tax rates may increase the Group's tax expenses and liabilities and could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group has significant levels of indebtedness

As at 31 December 2020, the Group had approximately U.S.$1,717.0 million (HK$13,306.5 million) of interest bearing bank loans including a current portion (payable within one year) of approximately U.S.$958.2 million (HK$7,426.3 million), and non-current portion of interest bearing bank borrowings of approximately US$758.7 million (HK$5,880.2 million). As at the same date, the Group had approximately U.S.$1,955.6 million (HK$15,156.1 million) of total equity. The gearing ratio (representing the Group's bank loans and other borrowings net of cash and bank balances and deposits of HK$13,264.7 million divided by total assets of HK$32,459.3 million) was approximately 40.9 per cent. Most of the Group's bank loans and other borrowings have been deployed for hotel and other property investments. The Group may continue to expand its hotel and property portfolio.

The Group's level of indebtedness, effective interest rate and duration on the new loan agreements may adversely affect the Group's future strategy and operations in a number of ways, including:

- future debt service requirements will reduce the funds available to the Group for other purposes;
- the Group's ability to obtain adequate financing for working capital and capital expenditures for its future projects on terms which will enable such projects to achieve a reasonable return to the Group may be limited;
- the Group's leverage may hinder its ability to withstand competitive pressures or adjust rapidly, if at all, to changing market conditions;
- the effective interest rate on the new loan agreements may be on less favourable terms than existing agreements; and
- the duration of the new loan agreements may affect the Group's cashflow planning.

There can be no assurance that the Group's level of indebtedness and such restrictions will not materially and adversely affect the Group's ability to finance its future operations or capital needs, successfully operate its business, engage in other business activities or pay dividends and the finance costs.

The Group is subject to risks associated with the development and construction of properties

The Group together with its associates have interests in several hotels, residential and mixed-use development projects in Hong Kong and in the PRC, which are in various stages of planning and development. Whilst estimated completion schedules and cost budgets are or will be in place for each project, there can be no assurance that construction deadlines will be met or that actual costs of design and construction will not exceed their estimates. Also, during long public holidays or adverse weather conditions, such construction of projects may be hindered.

As with any construction project, they may face substantial cost increases, cost overruns or delays caused by a number of factors, including shortages of, or price increases in, energy, raw materials or skilled labour, unforeseen environmental problems, contractor default or insolvency as well as difficulties in obtaining or inability to obtain any requisite licences, approvals or permits from regulatory authorities. Any such cost increases, cost overruns or delays could prevent or delay the development, completion or opening of their current and future projects, which may materially and adversely affect the Group's business, financial condition and/or results of operations.

In addition, there is no assurance that all of the relevant Group members which are engaged in real estate development in the jurisdictions in which the Group operates or with real estate developers in relation to its construction projects in such jurisdictions will be able to obtain or maintain the necessary verification, licensing or other approvals required in such jurisdictions in a timely manner, or at all. If the Group, its project companies or the contractors with whom the Group deals do not possess valid qualification certificates, the relevant government regulators may refuse to issue the permits necessary for the Group to conduct its business. Further, the relevant government regulators may impose a penalty on the Group and its project companies for failing to comply with the relevant operating and licensing requirements.

There is no assurance of the availability of suitable sites at commercially acceptable prices for the Group's future development

In the countries where the Group operates, the supply of land is largely controlled by local governments according to each country's economic conditions and priorities. Local governments may implement various measures to regulate the means by which property developers obtain land for property development. The ability of the Group to acquire land for future development and its land acquisition costs will accordingly be affected by government policies in relation to land supply. The Group's future growth prospects may therefore be affected to the extent that it is unable to acquire land for future development in the countries where the Group operates at commercially acceptable prices and to generate reasonable returns for the Group.

The prices of the Group's investments are subject to economic, political, market, counterparty and company specific changes

The prices of the Group's investments are subject to economic, political, market, counterparty and company specific changes. Such changes may adversely affect prices of securities regardless of company specific performance. Additionally, different industries, financial markets and securities can react differently to these changes. Such fluctuations in the value of the Group's portfolio are often exacerbated in the short-term as well.

The Group may invest in initial public offerings from time to time. The market values of shares in initial public offerings may experience high volatility due to factors such as the absence of a prior public market, unseasoned trading, the limited number of shares available for trading and limited information about the issuer. The Group may be subject to lock-up arrangements in relation to certain investments. Such arrangements may limit or restrict the Group's ability to exit investments. Additionally, the Group may hold shares acquired from initial public offerings for a very short period of time. Some investments in initial public offerings may have an immediate and significant impact on the Group's performance. The Group has the flexibility under its investment strategy to hold large amounts of cash if investment opportunities are not available or market conditions are not suitable. While this strategy can assist the Group during times of falling markets, holdings in cash may result in lower returns when compared to equity investments.

The Group may hold investments for which no active market exists

The Group may hold certain investments which are not traded on any organised financial market and which are not otherwise actively traded. The Group may also hold such investments for the long term. However, as such investments are in general relatively illiquid, the Group's ability to sell them promptly in response to changing economic, financial and investment conditions is limited and the Group cannot predict whether it would be able to sell any such investment for a price that is at or above its cost to the Group, or is reflective of its value as determined by the Group. If the Group is unable to dispose of such investments promptly or at a price higher than or consistent with their valuation, the Group's financial results and position could be adversely affected.

The Group may not be able to execute its strategy as planned

The Group has significantly expanded its operations in recent years and, in conjunction with the execution of its strategy, expects to continue to expand its operations in terms of geography, customers and capital investment. To manage its growth, the Group must continue to improve its managerial, technical, operational and other resources, and to implement an effective management information system. In order to fund the Group's ongoing operations and its future growth, the Group needs to have sufficient internal sources of liquidity or access to additional long-term financing from external sources. Further, the Group will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties.

There can be no assurance that the Group will not experience issues such as capacity and capital constraints, delay in capital contributions, construction delays (including in relation to the construction of new hotel properties) and training an increasing number of personnel to manage and operate those facilities. In particular, failure of the Group to implement its expansion plans in a timely manner could adversely affect its ability to maintain, expand and diversify its revenue base and to maintain its profitability. There can be no assurance that such expansion plans will not adversely affect the Group's existing operations, which could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.

The Group is subject to foreign exchange risks

The Group's revenue, costs, debts and capital expenditure are mainly denominated in Hong Kong dollars, with a substantial portion in Renminbi. The Group may also have exposure to other currencies in the jurisdictions which it expands into and has some exposure to U.S. dollars, Euro and British pound sterling through its aircraft leasing business and operations in the United Kingdom, Spain and Portugal. Consequently, the Group's costs, profit margins, liabilities and asset values are affected by fluctuations in the exchange rates of the different currencies. Some of these currencies are subject to managed exchange rate controlled by the government, for example, Renminbi is pegged against a basket of currencies determined by the PBOC and the exchange rate presently can only rise and fall by 1 per cent. each day against the central parity rate of the U.S. dollar as published by the PBOC and 3 per cent. against the central parity rate of other foreign currencies as published by the PBOC. To the extent that the government of the PRC decided to revalue the Renminbi further and/or permit the Renminbi to enter into a free floating system, these currencies may fluctuate more than they did in the past.

The reporting currency for the Group is the Hong Kong dollar, which is presently pegged against the U.S. dollar. Exchange rate gains or losses will arise when the assets and liabilities in non-U.S. currencies are translated or exchanged into Hong Kong dollars for financial reporting purposes. If foreign currencies depreciate against the U.S. dollar/Hong Kong dollars, this may adversely affect the carrying value in U.S. dollars/Hong Kong dollars of any assets denominated in non-U.S. currencies and thus the consolidated financial results of the Group. Since the Group does not engage in any material hedging activities to mitigate currency exchange rate exposure, the impact of future exchange rate fluctuations on the Group's profits cannot be accurately predicted.

Upon the expiration of interest rate hedging agreements, the Group will be exposed to interest rate fluctuations on any outstanding amounts under its finance documents

Each term loan facility and revolving credit facility bears interest at a variable rate. In order to hedge against the floating interest rate of the term loans, the Group has entered into interest rate hedging agreements with various banks. Upon the expiration of the interest rate hedging agreements, the Group will be exposed to interest rate fluctuations on any outstanding amounts under its finance arrangements which may adversely affect the level of the Group's income.

Property investment is generally illiquid

Investment in property, in particular hotel property, shopping malls, shops and office buildings, is generally illiquid, limiting the ability of an owner or a developer to convert property assets into cash at short notice or requiring a substantial reduction in the price that might otherwise be sought for such assets to ensure a quick sale.

The Group's property development business involves distinctive risks

The Group's property development business (including the development of new hotel properties) involves significant risks distinct from those involved in the ownership and operation of established properties, among other things, the risks that financing for development may not be available on favourable terms, that construction may not be completed on schedule or within budget (for reasons including but not limited to shortages of equipment, material and labour, work stoppages, interruptions resulting from inclement weather, unforeseen engineering, disagreements with external contractors, environmental and geological problems and unanticipated cost increases), that development may be affected by governmental regulations (including changes in building and planning regulations and delays or failure to obtain the requisite construction and occupancy approvals), and that developed properties may not be leased or sold on profitable terms and the risk that purchasers and/or tenants may default. An increase in mortgage rates in countries where the Group has property interests may also adversely affect the availability of loans on terms acceptable to purchasers, and hence the sale performance of the Group's properties.

The appraised value, as obtained from independent property valuers, of each of the Group's properties is based on various assumptions, and the price at which the Group is able to sell these properties may be different from the appraised value or the initial acquisition price of the Group's properties

The valuation of each of the Group's properties including residential, commercial and hotel properties as shown in the published financial statements of Regal REIT or otherwise is prepared by independent property valuers. The valuation is based on certain assumptions, which, by their nature, are subjective and uncertain and may differ materially from actual measures of the market. In addition, property valuations generally, and the valuation conducted by the independent property valuer in particular, include a subjective determination of certain factors relating to each of the Group's properties including hotel properties, such as its relative market position, financial and competitive strengths, location, and physical condition. Accordingly, there can be no assurance that the assumptions are accurate measures of the market or that its valuation of each of the Group's properties including hotel properties is accurate. Further, the appraised value of a property is not an indication of, and does not guarantee, a sale price at that value at present or in the future. The price at which the Group may sell any of its properties including hotel properties or any portion thereof may be lower than the appraised value or the initial acquisition price of that property.

The Group is subject to risks incidental to property ownership

The Group is also subject to risks incidental to the ownership and operation of residential, office and related properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in the financial statements, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs.

Certain properties owned by the Group are subject to risks of non-renewal of expiring government leases

Except for the Regal Airport Hotel and the Regala Skycity Hotel (the new airport hotel development project) (both of which are under sub-lease with Hong Kong Airport Authority), the land on which the Group's property sites are situated in Hong Kong is held under Hong Kong government leases, with each lease having a different expiry date. Upon the expiry of such leases with Hong Kong government and/or Hong Kong Airport Authority, there is no guarantee that the they will extend or renew the lease terms at all, or on favourable terms. Other property held by the Group is also subject to the risk of expiring government leases beyond the Group's properties including hotel properties. There is generally no right of renewal under such Hong Kong government leases and renewal will therefore be subject to the laws of Hong Kong and the policies of the Hong Kong Government at that time. Under current policies, such leases are commonly renewed, subject to payment of government rent and additional land premium, but there is no certainty that the current policies will be maintained.

Hotel operation costs and expense may not decrease even if occupancy rate declines

A significant part of the costs incurred in operating a hotel is fixed and generally does not depend on occupancy rates. A hotel is open 24 hours a day, seven days a week and incurs costs that will not vary significantly with high or low occupancy rates over a week, month or season. Operating a hotel therefore involves a significant amount of fixed costs which limits the ability of the operator to respond to adverse market conditions promptly by minimising costs and such limitations may impact on profitability when the hotel market is weak.

The Group's properties including hotel properties or parts thereof may be acquired compulsorily

The majority of the Group's properties are located in Hong Kong. The Hong Kong government has the power to acquire compulsorily any land in Hong Kong pursuant to the provisions of applicable legislation. In the event of any compulsory acquisition of property in Hong Kong, the amount of compensation to be awarded is based on the open market value of a property and is assessed on the basis prescribed under the relevant legislation. If any of the Group's properties including hotel properties is acquired compulsorily by the Hong Kong government, the level of compensation paid to the Group pursuant to this basis of calculation may be less than the price which the Group initially paid for such property including hotel property and/or the market value of such property including hotel property at the relevant time.

The PRC government also has the power to acquire compulsorily any land in the PRC in accordance with the relevant laws and regulations.

The operations of the Regal Hongkong Hotel are dependent on the RHK Supporting Premises which are leased by Cityability Limited from a third party

Certain essential mechanical, electrical and kitchen facilities of the Regal Hongkong Hotel, as well as its business centre and some function rooms, are located in the "**RHK Supporting Premises**" in an adjoining building owned by an independent third party. The RHK Supporting Premises are currently leased by Cityability Limited, a wholly-owned subsidiary of Regal REIT, and made available to the Group for the operation of Regal Hongkong Hotel, pursuant to a lease agreement which expires in 2022 (the "**RHK Supporting Premises Tenancy Agreement**").

The operations of Regal Hongkong Hotel are therefore dependent on the continuation of the RHK Supporting Premises Tenancy Agreement to enable the Group to operate Regal Hongkong Hotel consistent with past practices. If the equipment and facilities situated on those premises were required to be re-located for any reason, including the expiration or termination or non-renewal of the RHK Supporting Premises Tenancy Agreement, the operations and the value of the Regal Hongkong Hotel and the overall business of the Group may be adversely affected.

Regal Airport Hotel is dependent on the sub-lease granted by the Airport Authority and is subject to risks of non-renewal of the sub-lease

Both the Regal Airport Hotel and the Regala Skycity Hotel are held under a sub-leasehold interest granted by the Hong Kong Airport Authority under sub-leases which expire on 30 December 2028 and 17 September 2066 respectively. There is no right of renewal under the sub-lease, and therefore there is no assurance that the Hong Kong Airport Authority will extend or renew their terms at all, or on favourable terms. Any extension or renewal would likely be subject to payment of an additional land premium. Furthermore, the Hong Kong Airport Authority has the right to re-enter the properties and terminate the sub-leases at any time if there is a breach by the relevant lessee of certain terms of the sub-lease. In light of the above, the value of the Regal Airport Hotel and the Regala Skycity Hotel on the books of the Group may decrease over time, with no residual value on the expiration date of the sub-lease.

The Group's reported financial results and financial position may be affected by changes in accounting standards

The consolidated financial statements of the Group have been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants. In recent years, there were numerous amendments and/or introduction of new HKFRS. Some of the amendments and/or new standards required the Group to change its accounting policy. There is no guarantee that there will not be new amendments and/or new HKFRS introduced in future years which may require the Group to change its existing accounting policies and such changes could have a material adverse effect on the Group's reported financial results and financial conditions.

Control of the Guarantor

The ultimate controlling shareholder of the Guarantor is Mr. Lo Yuk Sui who, directly and indirectly, through his controlled entities including Century City International Holdings Limited ("**Century City**" or "**CCIHL**") and Paliburg Holdings Limited ("**Paliburg**" or "**PHL**") (both are listed holding companies of the Guarantor), held approximately 69.3 per cent. of the issued share capital of the Guarantor as at 31 December 2020. Mr. Lo is therefore able to exert considerable influence over the management and affairs of the Group, and is able to influence the Group's corporate policies, appoint directors and officers and vote on corporate actions requiring shareholders' approval.

The strategic goals and interests of Mr. Lo and/or his family members may not always be fully aligned with the Group's strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. The interests of the Group's controlling shareholder may also differ from those of the Noteholders. Certain transactions between the Guarantor and other companies in which the family has an interest, may also be subject to the rules of the HKSE which, in certain circumstances may require disclosure to, and/or approval from, the independent shareholders of the

Guarantor. All or some of the above may cause the Group to lose some of its competitive advantage, which could have an adverse effect on the Group's business, operating results, financial condition and prospects.

Substantial assets are held by Regal REIT, and Regal REIT may be restricted in its ability to make payment of dividends to the Company

A substantial proportion of the Group's assets are held by Regal REIT, the Guarantor's listed subsidiary, which is run separately from the Guarantor. The ability of Regal REIT to pay dividends and other amounts to the Group (other than Regal REIT) may be subject to the profitability of Regal REIT and to applicable laws and regulations (including the REIT Code as defined below) and to restrictions on the payment of dividends contained in financing or other agreements to which Regal REIT is a party. Payments under the Guarantee are structurally subordinated to all existing and future liabilities and obligations of, among others, each of the subsidiaries of Regal REIT. Claims of creditors of such companies will have priority as to the assets of such companies over the Company and its creditors, including holders of the Notes seeking to enforce the Guarantee.

The amount that Regal REIT may borrow is limited

Regal REIT's borrowings are limited by the Code on Real Estate Investment Trusts from time to time published by the SFC (the "**REIT Code**") and the presently prevailing borrowing limit is set at 50 per cent. of its total gross asset value. As at 31 December 2020, Regal REIT had aggregate borrowings of approximately HK$10,082.0 million, or 44.3 per cent., of its total gross asset value. There can be no assurance that Regal REIT's borrowings will not at any time exceed 50 per cent. of its gross asset value as a result of a decrease in the market value of its properties, whether following any valuation of its assets or otherwise. From time to time, Regal REIT may need to incur new borrowing but may be unable to do so due to the 50 per cent. borrowing limit. Regal REIT may also face difficulties in securing financing in a timely manner and on favourable commercial terms. In addition, the use of leverage may increase the exposure of Regal REIT to adverse economic factors such as rising interest rates and economic downturns. The limitation on Regal REIT's ability to borrow as a result of it being incorporated as a real estate investment trust could have an adverse effect on the Group's business, operating results and financial condition.

The Group is exposed to various risk related to the commercial airline industry

A small part of the Group's business involves acting as a lessor of commercial jet aircraft to airlines and in this case the Group is exposed indirectly to the same set of risk factors as its airline lessees. The ability of each lessee to perform its obligations under a lease will depend primarily on the lessee's financial condition and cash flow, which is affected by factors beyond the Group's control, including economic conditions, recession, deflation or financial system distress, demand for passenger air travel and air cargo services, industry competition, competition from substitute services, fluctuations in fuel prices, interest rates and foreign exchange rates, labour costs and union issues, maintenance, insurance, security or other costs, the impact of airline bankruptcies, aircraft accidents or the effect of geopolitical or other events such as wars, social unrest, pandemics, natural disasters and acts of terrorism. The outbreak of COVID-19 has severely affected, and continues to affect, the commercial jet airline industry. The airline industry generally and each of the Group's lessees are also affected by government regulation of airline operations, competition and mergers and acquisitions, environmental regulation, airport and other infrastructural constraints, the availability of new or used aircraft for lease or purchase, changes in technology and the availability and cost of debt and equity capital and other forms of financing to airlines. The Group's business and financial performance are dependent on the performance of the lessees and their ability to manage these risks effectively. To the extent that the airline industry or the Group's airline lessees experience negative effects from these or any other risk factors, the Group may experience:

- a reduced demand for the Group's aircraft and hence lower lease rates or aircraft sale values;
- a higher incidence of lease defaults resulting in lost revenue from a delay or interruption in payments or termination of leases and higher legal and technical costs associated with the repossession of the aircraft and its records. As at 31 December 2020, the leases for two of the Group's three aircrafts continue to be running on normal terms but there have been payment defaults on the lease for the other aircraft due to COVID-19;

- a need to restructure lease payments for delinquent airlines or airlines in financial difficulty which may result in lower lease revenue or the need to make provisions for rental amounts in arrears; and
- an inability to place available aircraft on lease on acceptable terms, which could result in the Group incurring financing costs while not collecting revenue from the relevant aircraft and incurring storage, insurance, maintenance and modification costs resulting from the grounding of such aircraft and their preparation for re-lease.

The occurrence of one or more of these events could result in an adverse effect on the part of the Group's business.

Risks relating to Hong Kong and the PRC

Hong Kong and the PRC

A significant proportion of the Group's turnover is derived from its operations in Hong Kong and/or the PRC. Consequently, a significant proportion of the Group's revenues and associated operating costs are denominated in Hong Kong dollars and/or in Renminbi. The Hong Kong dollar has been linked to the U.S. dollar at the rate of approximately HK$7.80 to U.S.$1.00 since 17 October 1983. Renminbi is not freely convertible in open markets.

Any abandonment of the official exchange rate policies for the Hong Kong dollar and Renminbi may lead to sharp changes in the value of the Hong Kong dollar and/or Renminbi against the U.S. dollar and other foreign currencies and add significantly to the volatility in the Hong Kong dollar and Renminbi exchange rate in the future, both of which may materially affect the financial condition and results of the operations of the Group.

The value of Renminbi against other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of Renminbi into foreign currencies, has been based on rates set by the PBOC. In the past few years, Renminbi has undergone significant reform and the PRC Government may adopt further reforms of its exchange rate system, including making Renminbi freely convertible in the future. On 15 March 2014, the PBOC doubled the trading band of the Renminbi from 1 per cent. to 2 per cent., thereby allowing the Renminbi to rise or fall 2 per cent. from a daily midpoint rate the PBOC sets each morning. In August 2015, the PBOC changed the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change resulted in a depreciation in the value of the Renminbi at approximately 1.9 per cent. relative to the U.S. dollar on 11 August 2015 and further subsequent depreciation against major currencies. Accordingly, this change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. A significant appreciation or depreciation of the Renminbi may materially and adversely affect the Guarantor's cash flow, earnings and financial position. For example, an appreciation of Renminbi against the U.S. dollar would make any new Renminbi-denominated investments or expenditures more costly to the Guarantor, to the extent that the Guarantor needs to convert, for example, HK dollars into Renminbi for such purposes.

The PRC economy has experienced periods of rapid expansion followed by periods of reduced rates of economic growth and fluctuating rates of inflation. This has led to the adoption by the PRC Government, from time to time, of various correction measures designed to influence the availability of credit or regulate growth or inflation across the broader mainland China economy or in certain sectors only. Such actions in the future, coupled with the recent slowdown in the PRC economy, could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's business is dependent on the availability of land in Hong Kong for property development and investment

The Group's business and results from operations is dependent, in part, on the availability of land, buildings and hotels suitable for development, re-development or investment and the Group's ability to replenish its land bank at favourable costs. The limited supply of land in Hong Kong has made it increasingly difficult to locate suitable property to acquire at economical prices for development. Government policies seeking to increase land supply and increases in borrowing costs could affect the Group's ability to maintain historical operating margin levels, and profits from property development activities could be adversely affected. These factors could have an adverse effect on the Group's business, operating results and financial condition.

Investments in the PRC require approvals and consents from PRC regulatory authorities which cannot be assured

Hotel and other property development projects in the PRC may require approvals to be obtained from a number of governmental authorities at different levels, receipt of which cannot be assured, and they may be subject to certain risks, including changes in governmental regulations and economic policies, including, among other things, regulations and policies restricting construction of hotels and buildings and related limitations on extensions of credit, building material shortages, increases in labour and material costs, changes in general economic and credit conditions and the illiquidity of land and other property. There can be no assurance that required approvals will be obtained.

The Group's business is subject to changes in government policies in relation to the real estate and property sectors in both Hong Kong and the PRC

Development projects in the PRC in particular are subject to the highly regulated property and real estate policies and regulations in the PRC. These development projects have been and may in the future be subject to certain risks such as changes in governmental regulations and economic policies, including regulations and policies restricting construction of properties and buildings and related limitations on pre-sales and extensions of credit. Any restriction on the Group's ability to pre-sell its properties or any restriction on the use of pre-sale proceeds could extend the time required to recover its capital outlay and could have an adverse impact on its business, financial condition and results of operations, and in particular its cash flow position. There can be no assurance that government policy in the property and real estate sector in the PRC will remain unchanged, and any changes in policy could adversely affect the Group's business, operating results, financial condition and prospects.

The PRC's economic, political and social conditions, as well as government policies, could affect the Group's business, financial condition and/or results of operations

At present, certain portion of the Group's property development projects are located in the PRC and are held through P&R Holdings, and an increasing amount of the Group's revenue may be derived from within the PRC. In addition, a significant proportion of the customers of the Group's hotels in Hong Kong used to come from the PRC. Accordingly, the Group's business, financial condition, and/or results of operations will, to an increasing degree, be subject to the economic, political and legal developments of the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to its political structure, level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

The PRC's economy has been in transition from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC's economy. However, the PRC government retains the power to implement macroeconomic policies affecting the PRC's economy, and has previously implemented measures to slow the pace of growth of the PRC's economy, including raising interest rates and issuing administrative guidelines to control lending to certain industries. It also exercises significant control over growth of the PRC's economy through the allocation of resources, control over foreign currency-denominated transactions, setting monetary policy and providing preferential treatment to particular industries or companies.

The Group is subject to PRC government control on currency conversion

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside the PRC. Certain member companies within the Group have provided and may provide offshore loans to members of the Group in the PRC.

Under its current structure, the holding companies within the Group may derive their income indirectly and partially from dividend payments from its PRC projects. Foreign currency controls may restrict or affect the ability of these PRC projects to remit sufficient foreign currency to pay dividends or other payments or otherwise satisfy their foreign currency denominated or settled obligations. Please refer to "*Risk Factors— Risks Relating to Notes denominated in Renminbi — Renminbi is not freely convertible and there are* *significant restrictions on the remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of Renminbi Notes*" below for further details.

Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the State Administration of Foreign Exchange (SAFE), by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside the PRC to pay capital expenses such as the repayment of bank loans and intra-group loans denominated in foreign currencies.

The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. If the PRC foreign exchange control system prevents the Group from obtaining sufficient foreign currency to satisfy its currency demands, its members in the PRC may not be able to pay dividends in foreign currencies and the Group may not be able to service its debt obligations denominated or settled in foreign currencies. All of these factors could materially and adversely affect the Group's financial condition and results of operation.

The PRC legal system has inherent uncertainties that would affect the Group's business and results of operations as well as the interest of investors in Notes issued under the Programme

Certain portion of the Group's subsidiaries', associates' and joint ventures' businesses are conducted, and assets located, in the PRC, and their operations are generally affected by and subject to the PRC's legal system and PRC laws and regulations.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 25 years has provided different levels of protection to various forms of foreign investment in the PRC. The legal system in the PRC is continuing to evolve. Even where adequate laws exists in the PRC, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC's legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents.

The PRC has not developed a fully integrated legal system and the enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. The relative inexperience of the PRC's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. The Group cannot predict the effect of future legal development in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to the Group and investors in Notes issued under the Programme. In addition, the PRC's legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, the Group may not be aware of its violation of these policies and rules until sometime after the violation has occurred. This may also limit the remedies available to you as an investor and to the Group in the event of any claims or disputes with third parties.

Litigation in the PRC may be protracted and result in substantial costs and diversion of the Group's resources and management attention.

It may be difficult to enforce any judgments obtained from non-PRC courts against the Group in the PRC

Certain portions of the Group's assets and businesses are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United

States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult for investors to enforce against the Group in the PRC any judgments obtained from non-PRC courts.

The Group may not be able to obtain land use right certificates with respect to future acquisition in the PRC of land in which it has acquired an interest

Land use right certificates are only granted once the land premium is paid, and land use rights certificates may not be issued in piecemeal in proportion to the payment of the land premium. If the Group fails to obtain all relevant land use right certificates for its future development projects in the PRC, it will not be able to develop and sell properties on such land. The Group may not be able to acquire replacement land parcels on terms acceptable to it, or at all. All or any of the above issues may have an adverse effect on the Group's business, financial condition, results of operations and business prospects going forward.

The Group's business will be adversely affected if it fails to obtain, or experiences material delay in obtaining, the necessary governmental approvals for any major property development

The PRC government strictly regulates the hotel and real estate market in the PRC. Hotel and/or property developers must comply with various PRC laws and regulations, including rules promulgated by local governments to enforce such laws and regulations. To develop and complete a hotel and/or property development project, the Group (as well as any of its associates and its joint ventures in the future if applicable) must apply for various licences, permits, certificates and approvals at the relevant government authorities. Before such authorities issue any certificate or permit, the Group must first meet the prerequisite set forth by the relevant authorities.

There is no assurance that the Group will not encounter serious delay or other difficulties in fulfilling such conditions, or that the Group will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the hotel, property development and/or investment property industry. There may also be delay on the part of the relevant regulatory bodies in reviewing the Group's applications and granting approvals. Therefore, in the event that the Group fails to obtain, or encounters significant delays in obtaining, the necessary governmental approvals for any of its projects, the Group may not be able to continue with or carry out its development plans on schedule, and its business may be adversely affected.

The Group may be required to bear resettlement costs associated with the Group's property developments

The land parcels in the PRC that the Group may acquire in the future for development may have existing buildings or other structures or be occupied by third parties. In accordance with the City Housing Demolition Administration Regulations of the PRC and other applicable local regulations, a property developer in the PRC is required to enter into a written agreement with the owners or residents of existing buildings subject to demolition for development, directly or indirectly through the local government, to provide compensation for their relocation and resettlement. Though the Group may acquire land with a vacant site, the Group's land acquisition costs may be subject to substantial increases which could adversely affect its financial condition if the compensation formula is changed to increase the compensation payable. In addition, if the Group or the local government fail to reach an agreement over compensation with owners or residents, any party may apply to the relevant housing resettlement authorities for a ruling on the applicable amount of compensation, which may delay the timetable for the Group's projects and adversely affect its business plans.

The PRC Government may impose fines on the Group or take back the Group's land if the Group fails to develop a property according to the terms of the land grant contract

Under PRC laws and regulations, if the Group (as well as any of its associates and its joint ventures in the future if applicable) fails to develop a property according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, the specified use of the land and the time for commencement and completion of the development, the PRC Government may issue a warning, impose a penalty, and/or take back their land. Under current PRC laws and regulations, if the Group (as well as its associates and its joint ventures) fails to pay any outstanding land grant premium on time, the Group (as well as its associates and its joint ventures) may be subject to a late payment penalty of 0.1 per cent. of the outstanding balance for every day of delay in payment. In addition, the PRC Government may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees if (i) the Group (as well as its associates and its joint ventures) does not commence construction for more than one year after the date specified in the relevant land grant contract, (ii) total constructed gross floor area is less than one-third of the total proposed gross floor area for the development, or (iii) the capital invested in the development is less than 25 per cent. of the total investment approved for the development and the development is suspended for more than one year without governmental approval. Furthermore, the PRC Government has the authority to take back the land without compensation to the Group (as well as its associates and its joint ventures) if the Group (as well as its associates and its joint ventures) does not commence construction for more than two years after the date specified in the land grant contract, unless the delay is caused by force majeure or governmental action. There can be no assurance that there will be no significant delays in the commencement of construction or the development of their properties in the future, or that their developments will not be subject to idle land penalties or be taken back by the PRC Government as a result of such delays. The imposition of substantial idle land penalties could have an adverse effect on their business, financial condition and/or results of operations. If any of their land is taken back by the PRC Government, the Group (as well as any of its associates and its joint ventures in the future if applicable) would not only lose the opportunity to develop the property, but the Group (as well as any of its associates and its joint ventures in the future if applicable) would also lose its prior investments in the development, including land premiums paid and costs incurred prior to the date on which the land is taken back.

The Group's financing costs are subject to changes in interest rates by the PBOC

The Group (as well as its associates and its joint ventures) may rely on bank borrowings and third party loans to finance its operating hotels, investment properties and project developments in the PRC. Accordingly, changes in interest rates may affect their financing costs and, ultimately, their results of operations.

In the PRC, borrowing rates are controlled by PBOC. There can be no assurance that PBOC will not further raise lending rates or that the Group's business, financial condition and/or results of operations will not be adversely affected as a result.

An economic downturn in the global economy may materially and adversely affect the valuation of the Group's investment properties which would reduce the Group's profits and net asset value; and increase the Group's leverage and may limit its ability to obtain additional financing. There is no assurance that the fair value of the Group's property portfolio will not decrease in the future.

The Group's profitability and net asset value may be affected by revaluation of its investment properties as required by Hong Kong Financial Reporting Standards

Certain of the Group's properties were hitherto designated as "investment properties" of the Group's subsidiaries and were stated at fair value in the Group's and/or relevant subsidiaries' financial statements and reviewed annually by independent professional valuers. In accordance with the relevant presently applicable accounting standards, all changes in the fair value of investment properties (including those under construction) were reported in the Group's and/or relevant subsidiaries' income statement. Due to differences in accounting treatment of certain hotel properties, such hotel properties which are treated as investment properties by Regal REIT have been treated as fixed assets for the purposes of the Group's consolidated statement of financial position.

The hotel properties 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, are stated in the financial statements of the Group at their fair values as at 23 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 relevant financial statements. This may adversely affect the overall reported carrying value of the Group's consolidated properties and the Group's consolidated financial reporting and presentation.

Risks Relating to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands (in the case of the Issuer) or Bermuda (in the case of the Guarantor) or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all, but not some only, of the outstanding Notes in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual currency Notes and index-linked Notes have features which are different from single currency issues

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(a) the market price of such Notes may be volatile;

(b) they may receive no interest;

(c) payment of principal or interest may occur at a different time or in a different currency than expected;

(d) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(f) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse floating rate Notes are typically more volatile than conventional floating rate debt

Inverse floating rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate ("**LIBOR**") or the Hong Kong Interbank Offered Rate ("**HIBOR**"). The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Notes

Fixed or floating rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the fixed or floating rate Notes may be less favourable than the then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any index linked Notes issued

If, in the case of a particular tranche of Notes, the relevant Pricing Supplement specifies that the Notes are index-linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Certain benchmark rates, including LIBOR and EURIBOR, may be discontinued or reformed in the future - including the potential phasing-out of LIBOR after 2021.

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") and Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") apply to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU and the UK, respectively. The EU Benchmark Regulation and UK Benchmark Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmark Regulation or UK Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and, on 12 July 2018, announced that the LIBOR benchmark may cease to be a regulated benchmark under the Benchmark Regulation. Such announcements indicate that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 7(k) (*Benchmark Discontinuation*)), or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to LIBOR, EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, unlawful or unrepresentative, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used.

This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Advisor (as defined in the Conditions), the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Risks Relating to the Notes Generally

Set out below is a brief description of certain risks relating to the Notes generally:

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular and any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The secondary market for the Notes may be illiquid

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Modification and Waivers may be made in respect of the Terms and Conditions, the Deed of Covenant and the Deed of Guarantee

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of Noteholders may be adverse to the interests of individual noteholder.

The Terms and Conditions of the Notes also provide that the Issuer and the Guarantor may, without the consent of the Noteholders, agree to modifications of the Terms and Conditions of the Notes, the Deed of Covenant and the Deed of Guarantee in the circumstances described in Condition 18 (*Meetings of Noteholders; Modification and Waiver*).

A change in English law which governs the Notes may adversely affect Noteholders

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Majority interests in Noteholder meetings

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary for Euroclear and Clearstream or lodged with the CMU Service (each of Euroclear, Clearstream and the CMU Service, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive Definitive Notes or Individual Certificates, as applicable. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders or in the case of the CMU Service, to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the Guarantor in a relevant CMU Instrument Position Report or any other notification by the CMU Service.

A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes and Global Certificates.

Holders of beneficial interests in the Global Notes and Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

If Definitive Notes or Individual Certificates are issued, holders should be aware that Definitive Notes or Individual Certificates which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade

In the case of Notes which have denominations consisting of a minimum Denomination plus one or more higher integral multiples of another smaller amount, it is possible that Notes may be traded in amounts that are not integral multiples of such minimum Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Denomination will not receive a Definitive Note or Individual Certificate in respect of such holding (should Definitive Notes or Individual Certificates be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or integral multiples of the minimum Denomination. If Definitive Notes or Individual Certificates are issued, holders should be aware that Definitive Notes or Individual Certificates which have a denomination that is not an integral multiple of the minimum Denomination may be illiquid and difficult to trade.

Noteholders' remedies under the Notes are capable of exercise only in limited circumstances

Payment of principal and interest thereon in relation to the Notes may be accelerated only if certain circumstances arise or conditions are satisfied. See "Terms and Conditions of the Notes — Condition 14 (*Events of Default*)" for further information.

Risks Relating to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer (or, as the case may be, the Guarantor) will pay principal and interest on the Notes in the Currency specified. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Currency in which the Notes are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Currency in which the Notes are denominated or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Currency in which the Notes are denominated would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes. Relevant government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of fixed rate Notes

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Risks relating to Notes denominated in Renminbi

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar. However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC Government.

Although the People's Bank of China ("**PBOC**") has implemented policies improving accessibility to the Renminbi to settle cross border transactions in the past, there is no assurance that the PRC Government will liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation plot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**"), in a number of financial centres and cities, including but not limited to Hong Kong, PBOC has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC, although PBOC has gradually allowed for participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot sources sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

There is no assurance that the offshore Renminbi market will continue to grow in depth and size and even it does, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The PBOC has in recent years implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Investment in the Renminbi Notes is subject to interest rate risks

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary or Clearsteam and Euroclear or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures or, (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws

Under the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The *PRC Enterprise Income Tax Law* levies EIT at the rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident enterprise from the transfer of Renminbi Notes but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The *PRC Individual Income Tax Law* levies IIT at a rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident or individual Holder from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and thus become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules. According to the presently prevailing arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes. There is no assurance that such arrangement would not change in future.

Therefore, if enterprise or individual resident Holders which are non-PRC residents are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual Noteholders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be on-lent by the Issuer to the Guarantor and/or its subsidiaries for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear or Clearstream and/or any other relevant clearing system, and/or a sub-custodian for the CMU Service.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163—5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163—5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being a "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and

(ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership **provided, however, that** in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

(a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

(a) on the expiry of such period of notice as may be specified in the Pricing Supplement; or

(b) at any time, if so specified in the Pricing Supplement; or

(c) if the Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

  (i) Euroclear or Clearstream or the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

  (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or

(c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being a "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with

Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

Permanent Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(b) at any time, if so specified in the relevant Pricing Supplement; or

(c) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

 (i) Euroclear or Clearstream or the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

 (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear or Clearstream or the CMU Service and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream and/or the CMU Service and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Registered Notes

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Note Certificate**"), in each case as specified in the relevant Pricing Supplement.

Each Global Note Certificate will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream and/or the CMU Service and/or any other relevant clearing system and registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Pricing Supplement specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Pricing Supplement specifies the form of Notes as being "Global Note Certificate exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Note Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(b) at any time, if so specified in the relevant Pricing Supplement; or

(c) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Global Note Certificate", then if either of the following events occurs:

(i) Euroclear or Clearstream or the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

(ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Note Certificate; or

(b) any of the Notes represented by a Global Note Certificate (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Note Certificate in accordance with the terms of the Global Note Certificate on the due date for payment,

then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the holder of the Global Note Certificate will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Note Certificate or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream and/or the CMU Service and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream and/or the CMU Service and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

CMU Service

The CMU Service is a central depositary service provided by the Central Money Markets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Notes**") which are specified in the CMU Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and "authorized institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Notes. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Notes are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream in any Notes held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU Service.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1. **Introduction**

(a) *Programme*: RH International Finance Limited (the "**Issuer**") has established a Medium Term Note Programme (the "**Programme**") for the issuance of up to US$1,000,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed by Regal Hotels International Holdings Limited (the "**Guarantor**").

(b) *Pricing Supplement*: Notes issued under the Programme are issued in series (each, a "**Series**") and each Series may comprise one or more tranches (each, a "**Tranche**") of Notes. Each Tranche is the subject of a pricing supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) *Agency Agreement*: The Notes are the subject of an amended and restated fiscal and paying agency agreement dated 30 June 2021 (as amended and/or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, Deutsche Bank AG, Hong Kong Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Deutsche Bank AG, Hong Kong Branch as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression includes any successor CMU lodging and paying agent appointed from time to time in connection with the Notes), Deutsche Bank Luxembourg S.A. as registrar in respect of Notes other than the CMU Notes, Deutsche Bank AG, Hong Kong Branch as registrar in respect of the CMU Notes (the "**Registrars**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrar and the CMU Lodging and Paying Agent, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

(d) *Deed of Guarantee*: The Notes are the subject of an amended and restated deed of guarantee dated 30 June 2021 (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") entered into by the Guarantor.

(e) *Deed of Covenant*: The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes are constituted by an amended and restated deed of covenant dated 30 June 2021 (the "**Deed of Covenant**") entered into by the Issuer.

(f) *The Notes*: All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing and copies may be obtained from the Specified Office of each of the Paying Agents and Transfer Agents.

(g) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the

"**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant are available for inspection by Noteholders during normal business hours with reasonable prior written notification at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. **Interpretation**

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Business Day**" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(b) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and

(c) in relation to any sum payable in Renminbi, a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"**Calculation Amount**" has the meaning given in the relevant Pricing Supplement;

"**CMU Service**" means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(iii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year

360

divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iv) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(v) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(vi) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

(vii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Change of Control)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Coupon Amount**" has the meaning given in the relevant Pricing Supplement;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

"**Guarantee of the Notes**" means the guarantee of the Notes given by the Guarantor in the Deed of Guarantee;

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"**Interest Determination Date**" has the meaning given in the relevant Pricing Supplement;

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.) unless otherwise specified in the relevant Pricing Supplement;

"**Issue Date**" has the meaning given in the relevant Pricing Supplement;

"**Listed Material Subsidiary**" means any Material Subsidiary the shares or units of which are at the relevant time listed on The Stock Exchange of Hong Kong Limited or any other stock exchange;

"**Margin**" has the meaning given in the relevant Pricing Supplement;

"**Material Subsidiary**" means any Subsidiary of the Guarantor:

(a) whose gross revenues (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), excluding those intra-group revenues or assets eliminated upon consolidation of the Guarantor and its Subsidiaries, represent not less than 10 per cent. of the gross revenues or, as the case may be, consolidated gross assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest published annual or interim financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest published annual or interim consolidated financial statements of the Guarantor, **provided that**:

  (i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest published annual or interim consolidated financial statements of the Guarantor relate for the purpose of applying each of the foregoing tests, the reference to the Guarantor's latest published annual or interim consolidated financial statements shall be deemed to be a reference to such published annual or interim financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant published annual or interim financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Guarantor;

  (ii) if at any relevant time in relation to the Guarantor or any Subsidiary no financial statements are prepared, its gross revenues and gross assets (consolidated, if applicable) shall be determined on the basis of *pro forma* consolidated financial statements (consolidated, if applicable) prepared for this purpose; and

  (iii) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a *pro forma* consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Guarantor; or

(b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, **provided that** on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above.

A report by any two directors of the Guarantor that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor, any Agent and the Noteholders.

For the avoidance of doubt and at any time, Regal Real Estate Investment Trust shall be a Material Subsidiary where (i) if on a consolidated basis, its contribution to gross revenues or gross assets, excluding those intra-group revenues or assets eliminated upon consolidation of the Guarantor and its Subsidiaries, represent not less than 10 per cent. of the gross revenues or gross assets of the Group, notwithstanding any shareholding in Regal Real Estate Investment Trust by intermediary companies of the Group, and (ii) Regal Real Estate Investment Trust is a Subsidiary of the Guarantor;

"**Maturity Date**" has the meaning given in the relevant Pricing Supplement;

"**Maximum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Minimum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Pricing Supplement;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Pricing Supplement;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

(i) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and (b) a day on which commercial banks are open for general business (including dealing in foreign currencies) in the city where the Fiscal Agent, or as the case may be, the CMU Lodging and Paying Agent has its Specified Office; and

(ii) in the case of payment by transfer to an account, (a) a TARGET Settlement Day and (b) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

(i) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (b) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Fiscal Agent, or as the case may be, the CMU Lodging and Paying Agent has its Specified Office; and

(ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that**:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(b) in relation to Australian dollars, it means Sydney or Melbourne and in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(c) in relation to Renminbi, it means Hong Kong or the principal financial centre as is specified in the applicable Pricing Supplement;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

"**Reference Banks**" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Pricing Supplement;

"**Reference Rate**" has the meaning given in the relevant Pricing Supplement;

"**Register**" has the meaning set out in Clause 5 (*Transfer of Registered Notes*) of the Fiscal Agency Agreement;

"**Regular Period**" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) having an original maturity of more than 365 days from their date of issue;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Pricing Supplement;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given in the relevant Pricing Supplement;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Subsidiary**" in relation to any person, means (i) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect a majority number of directors, managers or trustees of such company or other business entity or (ii) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**") or other relevant jurisdiction from time to time, should have its accounts consolidated with those of that person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Pricing Supplement;

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note, and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) (*Interpretation — Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement, the Deed of Covenant or the Deed of Guarantee shall be construed as a reference to the Agency Agreement, the Deed of Covenant or the Deed of Guarantee, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

(a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

(d) *Title to Registered Notes:* The Registrar will maintain a register outside the United Kingdom and Hong Kong in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No Person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(f) *Transfers of Registered Notes:* Subject to Condition 3(i) (*Closed periods*) and Condition 3(j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with Condition 3(f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods:* Noteholders may not require transfers to be registered

(i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes;

(ii) during the period of 15 days ending on any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*);

(iii) after a Put Option Notice or a Change of Control Put Exercise Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 10(e) (*Redemption at the option of Noteholders*) or Condition 10(f) (*Redemption for Change of Control*), as the case may be; and

(iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 12(f) (*Record Date*).

(j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Status and Guarantee

(a) *Status of the Notes*: The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Guarantee of the Notes*: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This Guarantee of the Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of their respective Material Subsidiaries (other than Listed Material Subsidiaries and their respective Subsidiaries) will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

6. **Fixed Rate Note Provisions**

(a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments — Bearer Notes*) and Condition 12 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* Unless specified in the relevant Pricing Supplement, the amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note and Index-Linked Interest Note Provisions**

(a) *Application:* This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments — Bearer Notes*) and Condition 12 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested under (iii) above, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination:* If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on (x) the London inter-bank offered rate (LIBOR), (y) the Eurozone inter-bank offered rate (EURIBOR) or (z) the Hong Kong inter-bank offered rate (HIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.

(e) *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.

(f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(g) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(h) *Calculation of other amounts:* If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.

(i) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(j) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(k) *Benchmark Discontinuation*: If a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 7(k)) and, in either case, an Adjustment Spread, if any (in accordance with Condition (7)(k)(iii)) and any Benchmark Amendments (in accordance with Condition 7(k)(iv)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Agents, or the Noteholders for any determination made by it pursuant to this Condition 7(k).

(i) If (A) the Issuer is unable to appoint an Independent Adviser or (B) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 7(k) prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediate following Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Period. For the avoidance of doubt, any adjustment pursuant to this Condition 7(k)(i) (*Benchmark Discontinuation*) shall apply to the immediately following Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 7(k).

(ii) If the Independent Adviser determines in its discretion that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7(k)(iii)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(k) in the event of a further Benchmark Event affecting the Successor Rate; or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7(k)(iii)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(k) in the event of a further Benchmark Event affecting the Alternative Rate.

(iii) If the Independent Adviser determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).

(iv) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7(k) and the Independent Adviser determines in its discretion (A) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (B) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the applicable Final Terms Pricing Supplement as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 7(k)(v), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 7(k)).

(v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 7(k) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 20 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(vi) No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

(A) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7(k); and

(B) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread.

(vii) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Issuer, the Fiscal Agent, the Calculation Agent, the Paying Agents and the Noteholders.

(viii) Notwithstanding any other provision of this Condition 7(k),

(A) if in the Calculation Agent's opinion there is any uncertainty as to how to interpret or apply any Successor Rate, Alternate Rate, Adjustment Spread or Benchmark Amendments under this Condition 7(k), the Calculation Agent shall promptly notify the Issuer or the Independent Adviser thereof to seek clarification and the Issuer or the Independent Adviser shall direct the Calculation Agent in writing. The Calculation Agent shall be entitled to take no action until reasonable clarification is provided, and shall not incur any liability for not taking any action pending receipt of reasonable clarification; and

(B) neither the Fiscal Agent, the Calculation Agent nor any Paying Agent is obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 7(k) to which, in the sole opinion of the Calculation Agent, the Fiscal Agent, or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent, the Fiscal Agent, or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

(ix) As used in this Condition 7(k):

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser determines in accordance with this Condition 7(k) is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or

(C) (if no such determination has been made, or in the case of an Alternative Rate) the Independent Adviser determines in accordance with this Condition 7(k) is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(D) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines in accordance with this Condition 7(k) to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with this Condition 7(k) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the Specified Currency.

"**Benchmark Event**" means:

(A) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or

(B) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the "**Specified Future Date**"); or

(C) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the "**Specified Future Date**"), be permanently or indefinitely discontinued; or

(D) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the "**Specified Future Date**"), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or

(E) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, (i) such Reference Rate is no longer representative of an underlying market or (ii) the methodology to calculate such Reference Rate has materially changed; or

(F) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (B), (C) or (D) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

"**Benchmark Amendments**" has the meaning given to it in Condition 7(k)(iv).

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense under Condition 7(k).

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

8. Zero Coupon Note Provisions

(a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Dual Currency Note Provisions

(a) *Application:* This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

10. Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments — Bearer Notes*) and Condition 12 (*Payments — Registered Notes*).

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (1) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) or the Guarantee of the Notes, or the Guarantor has or will become obliged to make any such withholding or deduction as is referred to in Condition 13 (*Taxation*) or the Guarantee of the Notes, as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment or principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of Bermuda or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by two directors of the Issuer stating that the circumstances in (A)(1) and (A)(2) prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by two directors of the Guarantor stating that the circumstances referred to in (B)(1) and (B)(2) above prevail and setting out the details of such circumstances and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(f) *Redemption for Change of Control*: At any time following the occurrence of a Change of Control, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Change of Control Put Date at the relevant Early Redemption Amount (Change of Control), together with accrued interest up to, but excluding the Change of Control Put Date. To exercise such right, the holder of the relevant Note must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Change of Control Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 60 days following a Change of Control, or, if later, 60 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 20 (*Notices*). The "**Change of Control Put Date**" shall be the 14th day after the expiry of such period of 60 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid.

The Issuer shall give notice to Noteholders and the Fiscal Agent in accordance with Condition 20 (*Notices*) by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 10(f) (*Redemption for Change of Control*).

In this Condition 10(f) (*Redemption for Change of Control*):

a "**Change of Control**" occurs when:

(i) the Controlling Shareholder ceases to hold, directly or indirectly, at least 35 per cent. of the voting rights of the issued share capital of the Guarantor; or

(ii) any Person or Persons, other than the Controlling Shareholder, acting together acquires Control of the Guarantor if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Guarantor on the Issue Date; or

(iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Guarantor or the successor entity.

"**Control**" means the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor or the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and the terms "**Controlling**" (other than the "**Controlling Shareholder**") and "**Controlled**" shall have meanings correlative to the foregoing.

"**Controlling Shareholder**" means the aggregate shareholdings of Mr. Lo Yuk Sui and:

(i) any heir, estate, lineal descendent (or spouse thereof), spouse or parent of Mr. Lo Yuk Sui; or

(ii) any trust, corporation, partnership or other entity, of which the direct or indirect beneficiaries, equity holders, partners or owners are Mr. Lo Yuk Sui and/or such other Persons referred to in paragraph (i) above.

a "**Person**", as used in this Condition 10(f) (*Redemption for Change of Control*), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

(g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 10(a) (*Scheduled redemption*) to 10(f) (*Redemption for Change of Control*) above.

(h) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

(j) *Cancellation:* All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11. Payments - Bearer Notes

This Condition 11 is only applicable to Bearer Notes.

(a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong.

(b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

Payments of principal and interest in respect of Bearer Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer, or, as the case may be, the Guarantor, in respect of that payment.

(c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons:* If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void*: If the relevant Pricing Supplement specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(f) (*Redemption for Change of Control*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. **Payments - Registered Notes**

This Condition 12 is only applicable to Registered Notes.

(a) *Principal:* Payments of principal shall be made (i) in the case of a currency other than Renminbi, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest:* Payments of interest shall (i) in the case of a currency other than Renminbi, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong, and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

Payments of principal and interest in respect of Registered Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer, or, as the case may be, the Guarantor, in respect of that payment.

(c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) (if applicable) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (Taxation)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

(e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

*So long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Note Certificate will be made to the person shown as the holder in the Register at the opening of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

13. **Taxation**

(a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands (in the case of payments by the Issuer) or Bermuda (in the case of payments by the Guarantor) or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

(b) *Taxing jurisdiction:* If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands or Bermuda respectively, references in these Conditions to the British Virgin Islands or Bermuda shall be construed as references to the British Virgin Islands or (as the case may be) Bermuda and/or such other jurisdiction.

14. Events of Default

If any of the following events occurs:

(a) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within fourteen days of the due date for payment thereof; or

(b) *Breach of other obligations:* the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Guarantee of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by any Noteholder, has been delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent; or

(c) *Cross default of Issuer, Guarantor or Subsidiary*:

(i) any Indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or

(iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub paragraph (i) and/or sub paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub paragraph (iii) above individually or in the aggregate exceeds US$30,000,000 (or its equivalent in any other currency or currencies on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which a calculation is made under this Condition 14(c) (*Cross default of Issuer, Guarantor or Subsidiary*); or

(d) *Unsatisfied judgment:* one or more judgment(s) or order(s) is rendered against a material part of the property, assets or turnover of the Issuer, the Guarantor or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary; or

(f) *Insolvency, etc:* (i) the Issuer, the Guarantor or any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, the Guarantor or any Material Subsidiary or the whole or any part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary is appointed (or application for any such appointment is made), (iii) the Issuer, the Guarantor or any Material Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Subsidiary of the Issuer or a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(g) *Winding up, etc:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any Material Subsidiary (otherwise than, in the case of a Subsidiary of the Issuer or a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(h) *Analogous event:* any event occurs which under the laws of the British Virgin Islands or Bermuda has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or

(i) *Failure to take action, etc:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the Deed of Covenant or the Deed of Guarantee, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Deed of Guarantee admissible in evidence in the courts of the British Virgin Islands and Bermuda is not taken, fulfilled or done; or

(j) *Unlawfulness:* it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes, the Deed of Covenant or the Deed of Guarantee; or

(k) *Guarantee not in force:* the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect; or

(l) *Controlling shareholder:* the Issuer ceases to be a Subsidiary of the Guarantor,

then Noteholders holding not less than 5 per cent. of the aggregate principal amount of the Notes then outstanding may, by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, declare their Notes to be immediately due and payable, whereupon such Notes shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders.

15. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16. **Replacement of Notes and Coupons**

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

17. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; **provided, however, that***:*

(a) the Issuer and the Guarantor shall at all times maintain a Fiscal Agent and a registrar; and

(b) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and

(c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

18. **Meetings of Noteholders; Modification and Waiver**

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Agency Agreement will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification:* The Notes, these Conditions, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

19. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

20. **Notices**

(a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Hong Kong or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Notes are represented by a Global Note Certificate and such Global Note Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear, Clearstream and/or the alternative clearing system, as the case may be.

21. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. **Governing Law and Jurisdiction**

(a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination or the Notes or any non-contractual obligation arising out of or in connection with them) or the consequences of its nullity.

(c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Condition 23(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 23 (*Governing Law and Jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Process agent*: Each of the Issuer and the Guarantor agrees that the documents which commence any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Waterman House Investments Limited at 3rd Floor, Chancery House, St Nicholas Way, Sutton, SM1 1JB, United Kingdom. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer or the Guarantor, as the case may be, the Issuer or, as the case may be, the Guarantor shall, on the written demand of any Noteholder addressed and delivered to the Issuer or, as the case may be, the Guarantor or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer or, as the case may be, the Guarantor and delivered to the Issuer or, as the case may be, the Guarantor or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**EU Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000 (the "**FSMA**") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

OPTION 1 – EU MiFID II Target market Legend for a professional investors and ECPs (consider if any of the Issuer / Guarantor / Managers are "MiFID II entities" and are "manufacturers" for the purposes of MiFID II)

[**EU MIFID II product governance / Professional investors and ECPs only target market –** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the [Notes] has led to the conclusion that: (i) the target market for the [Notes] is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**EU MiFID II**")][EU MiFID II]; or (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the [Notes] (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

OPTION 2 – UK MiFIR Target market Legend for a professional investors and ECPs (consider if any of the Issuer / Guarantor / Managers are "UK MiFIR entities" and are "manufacturers" for the purposes of UK MiFIR)

[UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the [Notes] is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**Singapore Securities and Futures Act Product Classification –** Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore)(as modified or amended from time to time, the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products " (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, "**Professional Investors**") only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

HKSE has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to professional investors only have been reproduced in this document. Listing of the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer, the Guarantor and the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document, together with the Offering Circular, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Pricing Supplement dated [•]

RH International Finance Limited
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] due [•]

Guaranteed by
Regal Hotels International Holdings Limited
under the U.S.$1,000,000,000 Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 30 June 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated [*current date*] [and the supplemental Offering Circular dated [*date*]] [,save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1.	(i)	Issuer:	RH International Finance Limited
		LEI Code:	5493009PSH4G32XBT796

	(ii)	Guarantor:	Regal Hotels International Holdings Limited
2.	[(i)	Series Number:]	[•]
	[(ii)	Tranche Number:	[•]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]		
3.	Specified Currency or Currencies:		[•]
4.	Aggregate Nominal Amount:		[•]
	[(i)]	[Series]:	[•]
	[(ii)	Tranche:	[•]]
5.	(i)	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date] (in the case of fungible issues only, if applicable)]*
	(ii)	Net Proceeds:	[•] (Required only for listed issues)]
6.	(i)	Specified Denominations[1] [2]:	[•]
	(ii)	Calculation Amount:	[•]
7.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[*Specify/Issue* Date/Not Applicable]
8.	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][3]
9.	Interest Basis:		[[•] per cent. Fixed Rate] [[*Specify* reference rate] +/- [•] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*Specify*)] (further particulars specified below)
10.	Redemption/Payment Basis:		[Redemption at par]

[1] Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

[2] If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €[1,000] in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.

[3] Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

			[Index Linked Redemption]
			[Dual Currency]
			[Partly Paid]
			[Instalment]
			[Other *(Specify)*]
11.	Change of Interest or Redemption/Payment Basis:		[*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12.	Put/Call Options:		[Investor Put]
			[Issuer Call]
			[(further particulars specified below)]
13.	Listing:		[Hong Kong/ Other *(specify)* / None] (For Notes to be listed on the *[Hong Kong Stock Exchange], insert the expected effective listing date of the Notes)*
14.	Method of distribution:		[Syndicated/Non-syndicated]

Provisions Relating to Interest (If Any) Payable

15.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable]
			(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/ other *(specify)*] in arrear]
	(ii)	Interest Payment Date(s):	[•] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not* adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount[4]
	(iv)	Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
	(v)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / other]
	(vi)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16.	**Floating Rate Note Provisions**		[Applicable/Not Applicable]

[4] For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Interest Period(s):	[•]
(ii)	Specified Period:	[•] *(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
(iii)	Specified Interest Payment Dates:	[•] *(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/other *(give details)*]
(v)	Additional Business Centre(s):	[Not Applicable/*give details*]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other *(give details)*]
(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	[*Name*] shall be the Calculation Agent
(viii)	Screen Rate Determination:	
	• Reference Rate:	[*For example, LIBOR or EURIBOR*]
	• Interest Determination Date(s):	[•]
	• Relevant Screen Page:	[*For example, Reuters LIBOR 01/EURIBOR 01*]
	• Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
	• Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*]
(ix)	ISDA Determination:	
	• Floating Rate Option:	[•]
	• Designated Maturity:	[•]
	• Reset Date:	[•]
(x)	Margin(s):	[+/-][•] per cent. per annum

	(xi)	Minimum Rate of Interest:	[•] per cent. per annum
	(xii)	Maximum Rate of Interest:	[•] per cent. per annum
	(xiii)	Day Count Fraction:	[•]
	(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
17.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Accrual Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•]
	(iii)	Any other formula/basis of determining amount payable:	*[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition [10(i)]]*
18.	**Index-Linked Interest Note/other variable-linked interest Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Index/Formula/other variable:	[give or annex details]
	(ii)	Calculation Agent responsible for	[•] calculating the interest due:
	(iii)	Provisions for determining Coupon Index and/or Formula and/or other variable:	[•] where calculated by reference to
	(iv)	Interest Determination Date(s):	[•]
	(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[•]
	(vi)	Interest or calculation period(s):	[•]
	(vii)	Specified Period:	[•] *(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
	(viii)	Specified Interest Payment Dates:	[•]

			(Specified Period and Specified InterestPayment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")
	(ix)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
	(x)	Additional Business Centre(s):	[•]
	(xi)	Minimum Rate/Amount of Interest:	[•] per cent. per annum
	(xii)	Maximum Rate/Amount of Interest:	[•] per cent. per annum
	(xiii)	Day Count Fraction:	[•]
19.	**Dual Currency Note Provisions**		[Applicable/Not Applicable]
			(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[give details]
	(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[•]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[•]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[•]

Provisions Relating to Redemption

20.	**Call Option**		[Applicable/Not Applicable]
			(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[•] per Calculation Amount

	(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(iv) Notice period:	[•]
21.	**Put Option**	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii) Notice period:	[•]
22.	**Final Redemption Amount of each Note**	[•] per Calculation Amount
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	
	(i) Index/Formula/variable:	[give or annex details]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[•]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[•]
	(iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[•]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[•]
	(vi) [Payment Date]:	[•]
	(vii) Minimum Final Redemption Amount:	[•] per Calculation Amount
	(viii) Maximum Final Redemption Amount:	[•] per Calculation Amount

23.	**Early Redemption Amount**	[Not Applicable
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, on a change of control or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	*(If each of the Early Redemption Amount (Tax), the Early Redemption Amount (Change of Control) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax), the Early Redemption Amount (Change of Control) and/or the Early Termination Amount if different from the principal amount of the Notes)]*

General Provisions Applicable to the Notes

24.	**Form of Notes:**	**[Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note][5] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice][6] [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note][5]] [**Registered Notes:** Global Note Certificate exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances described in the Global Note Certificate][5]
25.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details.* *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 16(v) and 18(x) relate]*
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit	[Not Applicable/*give details*]

5 If global notes or global note certificates are to be exchangeable for definitive notes or individual note certificate other than in the limited circumstances of ICSD suspension/shutdown or an event of default, all multiple trading amounts must be an integral of the specified denomination.

6 if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000",the Temporary Global Note shall not be exchangeable on [•] days notice.

	the Notes and interest due on late payment]:	
28.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
29.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
30.	Consolidation provisions:	The provisions in Condition 19 *(Further Issues)*] [annexed to this Pricing Supplement] apply]
31.	Any applicable currency	[Not Applicable/*give details*] disruption/fallback provisions:
32.	Other terms or special conditions:	[Not Applicable/*give details*]

Distribution

33.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
34.	If non-syndicated, name and address of	[Not Applicable/*give name and address*] Dealer:
35.	Total commission and concession:	[•] per cent. of the Aggregate Nominal Amount
36.	U.S. Selling Restrictions:	Reg. S Category [1/2]; *(In the case of Bearer Notes)*— [TEFRA C/ TEFRA D/TEFRA not applicable] *(In the case of Registered Notes)*— Not Applicable
37.	Additional selling restrictions:	[Not Applicable/*give details*]

Operational Information

38.	ISIN Code:	[•]
39.	Common Code:	[•]
40.	CMU Instrument Number	[•]
41.	Any clearing system(s) other than Euroclear/Luxembourg and the CMU Service and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
42.	Delivery:	Delivery [against/free of] payment
43.	Additional Paying Agent(s) (if any):	[•]

General

44.	The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [•], producing a sum of (for Notes not denominated in [US dollars]):	[Not Applicable/US$]

45.	[Ratings:	The Notes to be issued have been rated: [S&P: [•]] [Moody's: [•]] [[Other: [•]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*]
46.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]
47.	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable]

[Use of Proceeds

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[Stabilising

In connection with this issue, [insert name of Stabilising Manager(s)] (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.]

Purpose of Pricing Supplement

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the U.S.$[1,000,000,000] Medium Term Note Programme.

Responsibility

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of

RH INTERNATIONAL FINANCE LIMITED:

By: ....
Duly authorised

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED:

By: ....
Duly authorised

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, and/or a sub-custodian for the CMU Service, will be that depositary, common depositary or sub-custodian, as the case may be.

In relation to any Tranche of Notes represented by a Global Note Certificate, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name such Global Note Certificate is for the time being registered in the Register which, for so long as the Global Note Certificate is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, and/or a sub-custodian for the CMU Service, will be such sub-custodian, such depositary or common depositary, or a nominee for such depositary or common depositary, as the case may be.

Each of the persons shown in the records of Euroclear and/or Clearstream and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer or the Guarantor to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer or the Guarantor in respect of payments due under the Notes and such obligations of the Issuer or the Guarantor will be discharged by payment to the holder of such Global Note or Global Note Certificate.

If a Global Note or a Global Note Certificate is lodged with a sub custodian for or registered with the CMU Service, the person(s) for whose account(s) interests in such Global Note or Global Note Certificate are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU Service as entitled to receive payments in respect of Notes represented by such Global Note or Global Note Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU Service in respect of each amount so paid. Each of the persons shown in the records of the CMU Service, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Note Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Note Certificate.

Conditions applicable to Global Notes

Each Global Note and Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

Payments*:* All payments in respect of the Global Note or Global Note Certificate which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

Payment Business Day*:* In the case of a Global Note, or a Global Note Certificate, shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date*:* Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means any week day (Monday to Friday inclusive) within any given calendar year, except 25 December and 1 January.

Exercise of Put Option*:* In order to exercise the option contained in Condition 10(e) *(Redemption at the option of Noteholders)* the bearer of the Temporary Global Note or Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Exercise of Change of Control Option*:* In order to exercise the option contained in Condition 10(f) *(Redemption for Change of Control),* the bearer of the Temporary Global Note or Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and the Change of Control Put Exercise Notice, give written notice of such exercise to the Fiscal Agent. Any such notice shall be irrevocable and may not be withdrawn.

Partial Exercise of Call Option*:* In connection with an exercise of the option contained in Condition 10(c) *(Redemption at the option of the Issuer)* in relation to some only of the Notes where such Notes are held with Euroclear and/or Clearstream, the Temporary Global Note or Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream (to be reflected in the records of Euroclear and Clearstream as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 20 *(Notices)*, while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, (i) deposited with a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system (other than the CMU Service, in respect of which see (ii) below), notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 *(Notices)* on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system or (ii) deposited with the CMU Service, notices to the holders of Notes of the relevant Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Note Certificate.

CAPITALISATION

Capitalisation and Indebtedness of the Guarantor

As at the date of this Offering Circular, the authorised ordinary share capital of the Guarantor was HK$200.0 million divided into 2,000.0 million ordinary shares of HK$0.10 par value each and its issued share capital was HK$89.9 million consisting of 898.8 million ordinary shares of HK$0.10 each.

The following table sets out the consolidated capitalisation and indebtedness of the Guarantor as at 31 December 2020 which has been extracted from the audited consolidated statement of financial position of the Guarantor as at the same date. The table should be read in conjunction with the audited consolidated financial statements of the Guarantor for the year ended 31 December 2020.

	As at 31 December 2020	
	HK$ million	**U.S.$ million(1)**
Current portion of interest bearing bank borrowings	7,426.3	958.2
Non-current portion of interest bearing bank borrowings	5,880.2	758.7
Other borrowings	2,707.0	349.3
	16,013.5	2,066.2
Share capital	89.9	11.6
Reserves	12,716.3	1,640.8
Shareholders' equity	12,806.2	1,652.4
Perpetual securities	1,732.9	223.6
Total Capitalisation	30,552.6	3,942.2

Notes:

(1) A rate of HK$7.75 to U.S.$1.00 was adopted for the conversion of Hong Kong dollars to U.S. dollars.

In February 2021, a refinancing for a three-year term in an aggregate facility amount of HK$4,125 million secured on the Mount Regalia properties was completed with a syndicate of bank lenders. The facility is divided into two separate tranches. The first tranche is a term loan to P&R Holdings in a facility amount of HK$3,000 million, which is extendable for a further term of two years subject to certain conditions. The other tranche is a revolving loan in a facility amount of HK$1,125 million made directly available to the Group, which will serve to further strengthen the Group's financial resources.

Save as disclosed above, there has been no material change in the capitalisation of the Guarantor since 31 December 2020.

Capitalisation and Indebtedness of the Issuer

As at 24 August 2012, the date of its incorporation, the Issuer was authorised to issue a maximum of 50,000 U.S.$1.00 par value shares of a single class and series, of which one share is held by the Guarantor. As at 31 December 2020, the Issuer had other borrowings in respect of notes payable in the amount of HK$2,707.0 million (US$349.3 million) and perpetual securities in the amount of HK$1,732.9 million (US$223.6 million). The perpetual securities are included in other borrowings in the financial statements of the Issuer but in equity in the consolidated financial statements of the Guarantor.

There has been no material change in the capitalisation of the Issuer since 31 December 2020.

DESCRIPTION OF THE ISSUER

Formation

RH International Finance Limited is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1730176). It was incorporated in the British Virgin Islands on 24 August 2012. Its registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The Issuer is a wholly-owned subsidiary of the Guarantor.

Business Activity

The Issuer was established pursuant to the unrestricted objects and powers set out in its memorandum of association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as a wholly-owned subsidiary of the Guarantor and those incidental to the establishment of the Programme and issue of Notes under the Programme.

Financial Statements

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

Directors and Officers

The directors of the Issuer are Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Allen Wan Tze Wai and Ms. Belinda Yeung Bik Yiu. Each of their business addresses is c/o Regal Hotels International Holdings Limited at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong. None of the directors of the Issuer holds any shares or options to acquire shares of the Issuer.

The Issuer does not have any employees and has no subsidiaries.

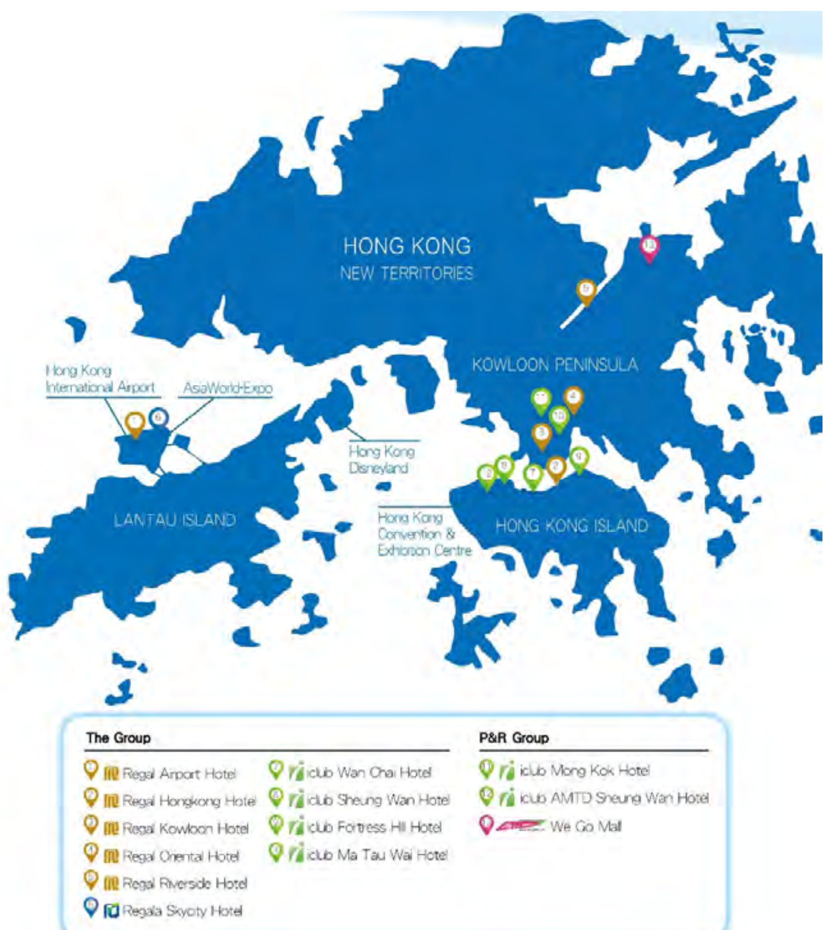
DESCRIPTION OF THE GROUP

Overview

The principal activity of the Guarantor is that of a holding company. The principal activities of the Guarantor's subsidiaries are hotel ownership 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 Group owned and operated nine high quality hotel properties with 4,918 rooms in total (excluding the iclub Mong Kok Hotel and the iclub AMTD Sheung Wan Hotel wholly or partly owned by P&R Group but managed by the Group) in Hong Kong as at 31 December 2020. In the PRC, the Group provides management services to five operating Regal Hotels, including two in Shanghai, two in Dezhou and one in Xi'an. Three other hotels in the PRC to be managed by the Group are under development, which are separately located in Chengdu, Jiangmen and Kunshan. The Group, through its wholly owned subsidiaries, is developing one hotel project known as Regala Skycity Hotel near Terminal 2 of the Hong Kong International Airport which is expected to open for business in the latter part of 2021 and two commercial/residential projects located at Queen's Road West and Hai Tan Street in Hong Kong respectively. The development works for the project located at Queen's Road West are progressing steadily and the project is expected to be completed by 2022. The project located at Hai Tan Street is undergoing compulsory sale procedures.

Below is a map showing the strategic locations of the Group's operating hotels in Hong Kong, Regala Skycity Hotel and the P&R Group's operating properties in Hong Kong:



Corporate Information

The Guarantor is a limited liability company incorporated in Bermuda. The head office and principal place of business in Hong Kong of the Guarantor is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

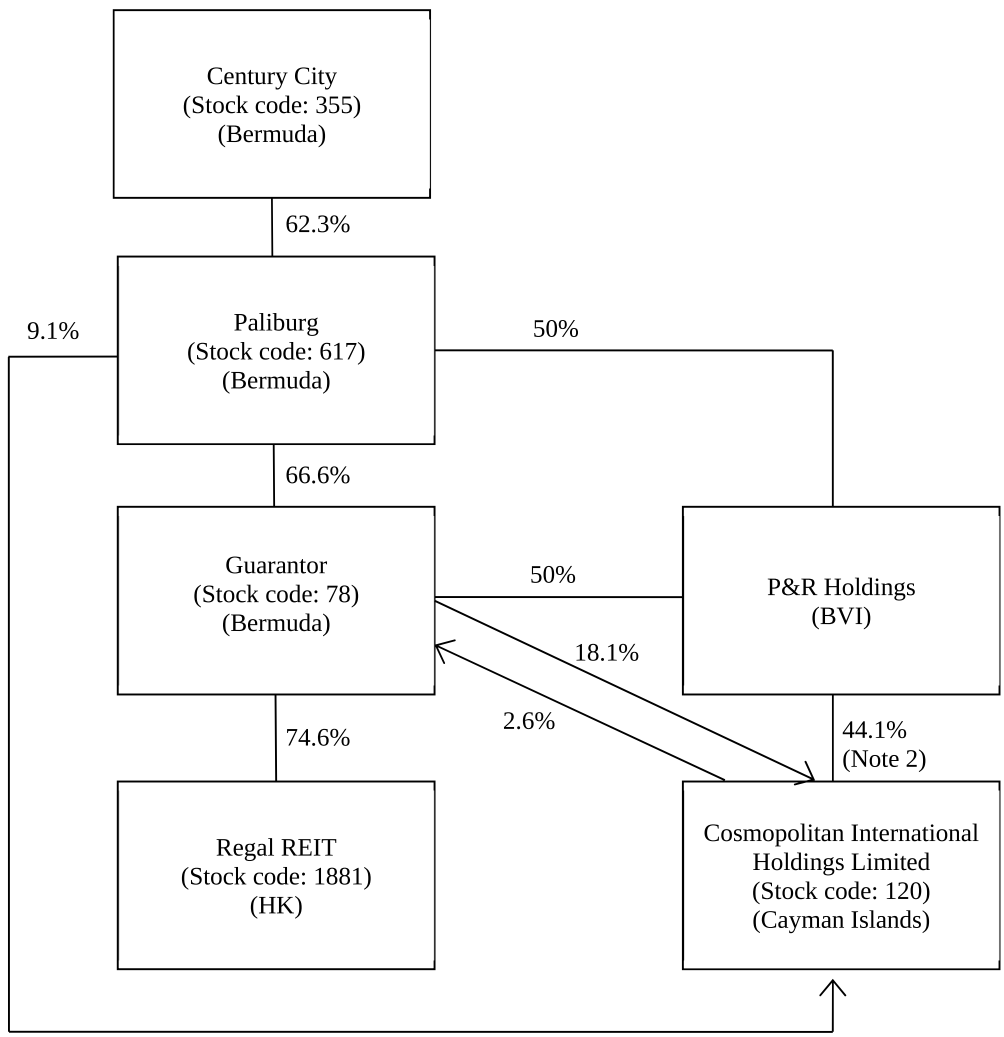
Business Organisation

The Group is principally engaged in hotel operations, management and ownership through its listed subsidiary, Regal REIT, property development and investment (including through P&R Holdings), aircraft ownership and leasing business and other investments. Regal REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance of Hong Kong.

Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, has acted as the REIT manager of Regal REIT since 2006. The Company and Regal REIT are two separate listed entities and their business operation and decision-making are independent of each other.

The Guarantor and Regal REIT (by virtue of being the listed subsidiary of the Guarantor) are subsidiaries of both of Paliburg and Century City International Holdings Limited ("**Century City**").

The following chart sets forth an overview of the Group's organisational structure as at 31 December 2020:



Notes:

[(1)] All shareholding percentages above represent direct interest or indirect interests held through wholly-owned subsidiaries of the relevant company.

[(2)] Apart from 44.1 per cent. of total issued ordinary shares of Cosmopolitan International Holdings Limited ("**Cosmopolitan**"), P&R Holdings also indirectly holds approximately 2,295.5 million convertible preference shares of Cosmopolitan.

Competitive Strengths

Strong market recognition for the Group's brand and quality

With over 40 years of history, the Group has an established reputation as one of the leading hotel players in Hong Kong with a recognisable and respected brand. The Group is ideally positioned in relation to the brand it seeks to offer. The Group has sought to build a brand that centres on quality of service and standards at competitive room rates. The quality of the Group's offering is well respected in the industry and has strong recognition in Hong Kong as well as the PRC, where its management of various hotels enhances its exposure to the domestic PRC market and to other markets including to PRC visitors who travel between the PRC and Hong Kong. This has helped the Group achieve outstanding occupancy rates and consistent revenue growth. The Group is able to leverage its brand recognition and network to expand its property business in Hong Kong and the PRC. The Group will continue to diversify its business operations and seek to increase income through its property development business.

The Group focuses on developing its own brand primarily in the Greater China region offering quality hotel products and services at competitive prices. The Group believes that not competing with such international hotel brands provides the Group with greater flexibility in its business model, allowing it to adapt in the Hong Kong market in particular. The combination of quality rooms and facilities offered at competitive prices relative to the top tier brands is a recognised hallmark of the Group's offering and is a key factor in its success.

Sophisticated systems and long-standing business relationships

The Group makes use of a range of systems in its operations which provide it with an edge in its hotel operations. These include evaluation systems for determining the Group's customer base by breakdown of geographical origin (Hong Kong, the PRC and beyond) and by guest demographics (business travellers, leisure travellers and the airline industry), as well as sophisticated internal operating systems suited to the needs of the hotel properties managed by the Group.

In addition, the Group maintains strong business relationships, including in partnership with strategic sales distributors in diversified segments covering different territories, agency and promotion services as well as supply of its food and beverage provisions. The Group's ability to harness the potential of its systems and business relationships contributes to the strength of the Group as a whole.

A well-established portfolio of high quality assets in different strategic locations in Hong Kong, making the Group one of the market leaders in the hotel industry in Hong Kong

The Group presently owns nine hotels in Hong Kong. The P&R Group owns one hotel in Hong Kong and has a 50 per cent. interest in another hotel in Hong Kong. Although the quality of the Group's hotels contributes to the success of the Group as a whole, the Group's strong foothold in Hong Kong and its rapid expansion through property development and hotel management in Hong Kong and the PRC also set the Group apart from its peers. Amongst the Group's peers and comparable hotel chains, the Group can be considered a market leader in the Hong Kong hotel market. The Group's other strength of its portfolio of strategically located hotels, excellent service quality and competitive pricing strategy also contribute to the Group's leading position in the industry.

The strategic locations of the Group's hotels in Hong Kong contribute strength to the Group's portfolio. The Regal Airport Hotel is well-established and the only hotel directly connected to the Hong Kong International Airport. The Regal Hongkong Hotel in Causeway Bay is strategically located to benefit from the nearby largest retail area on Hong Kong Island, while the iclub Wan Chai Hotel in Wan Chai benefits from its proximity to Hong Kong Convention and Exhibition Centre. The Regal Kowloon Hotel is located at Tsim Sha Tsui East, a core business district and a traditional tourist hub for both business and leisure travellers. The Regal Oriental Hotel is located in the heart of Hong Kong's heritage district Kowloon City, famous for authentic Hong Kong-style cuisine, and neighbouring the world-class Kai Tak Cruise Terminal.

The Regal Riverside Hotel is located along the shimmering Shing Mun River in lively Shatin, with easy access to major transportation networks and prominent shopping areas and attractions in the New Territories including New Town Plaza, the Shatin Racecourse and the Chinese University of Hong Kong. Both iclub Sheung Wan Hotel and iclub Fortress Hill Hotel are located close to MTR stations, conveniently accessible to the central business district in Central, the Hong Kong Convention and Exhibition Centre in Wan Chai as well as the retail area in Causeway Bay. The iclub Sheung Wan Hotel is also close to the Hong Kong-Macau Ferry Terminal. The iclub Ma Tau Wai Hotel was opened in 2017 and is located near the newly opened To Kwa Wan MTR Station. The iclub Mong Kok Hotel is located in the heart of Kowloon and is surrounded by a variety of entertainment and dining options, local heritages and culture destinations. In February 2017, the Group announced its latest airport hotel development project near Terminal 2 of the Hong Kong International Airport and situated at the 25-hectare integrated development project of the Hong Kong Airport Authority named SKYCITY, the Skycity hotel development ("**Skycity Hotel Project**"), which is expected to open for business in the latter part of 2021. All of the above demonstrates the Group's ability to harness local knowledge of the Hong Kong market to increase occupancy rate, and demonstrates a flexible and responsive ability to shape the Group's portfolio of hotels in Hong Kong to market needs.

The Group will look to further develop its successful "iclub" brand concept, which complements but sets itself apart from the traditional Regal brand

The Group's first "iclub" concept hotel in Wan Chai has been very successful in terms of room occupancy, room rates and revenue per available room. Distinct from the more traditional offering in the Group's Regal hotels, the "iclub" hotel is a more boutique-style offering, focusing on strategic location for a younger guest profile, with more emphasis on comfort and hi-tech specification than luxury. This concept has proven very successful and the Group has capitalised and is keen to continue to capitalise on this success by extending the brand concept to its new hotel developments in Hong Kong, with three additional iclub Hotels subsequently developed and opened in Sheung Wan, North Point and To Kwa Wan. The Group intends to build on the success of the "iclub" brand as a complement to the existing Regal brand, thereby strengthening the Group's hotel portfolio and product offering in Hong Kong.

The success of the Regal Airport Hotel in Hong Kong, voted the best airport hotel in the world for twelve consecutive years from 2008 to 2019, provides a platform for continued success in this area of the hospitality industry

The success of the Regal Airport Hotel in Chek Lap Kok Airport, Hong Kong, which was voted the best airport hotel in the world for twelve consecutive years from 2008 to 2019, together with the management of the Regal Airport Hotel, Xian in the PRC, demonstrates the Group's ability to successfully manage airport hotel projects in Greater China region. The Group is recognised as a leading hotel brand and its particular expertise in managing airport hotel projects provides huge growth potential as the aviation industry expands in the PRC. The Group's proven ability to successfully run airport hotels, dating back to the 1980s when the Group first operated the then airport hotel at Kowloon City, is a further indication of the diversity of the Group's portfolio in Hong Kong in particular. The Skycity Hotel Project has further strengthened the Group's leading position in the airport hotel market.

Committed to achieving a high occupancy rate and room rates in the Group's hotels in Hong Kong providing optimal profit margins after recovery from the pandemic

The Group's average occupancy rate across the five Regal Hotels for the years ended 31 December 2019 and 2020 was 77.9 per cent. and 37.2 per cent., respectively. The Group's average occupancy rate across its four iclub Hotels (not including the iclub Mong Kok Hotel) for the years ended 31 December 2019 and 2020 was 76.6 per cent. and 70.3 per cent., respectively. The hotel performance of the Group was inevitably adversely impacted by the COVID-19 pandemic in 2020. However, with the rolling-out of vaccines and the vaccination coverage increasing globally, it is hopeful that international and cross-border travels will gradually recover in the second half of 2021. The Group will continue to be committed to providing high quality service and quality guest rooms. The Group constantly seeks to improve and upgrade its facilities with a two-fold objective in the long run — to achieve its high average occupancy rate and thus run hotels with optimal operational efficiency, and to increase revenue per available room.

Steady cashflow and income from property development projects in Hong Kong and the PRC

The property development projects of P&R Holdings in Hong Kong and the PRC contribute to a steady cashflow and income for the Group. In Hong Kong, P&R Holdings has a strong property development pipeline. Apart from the recently completed projects such as the iclub Mong Kok Hotel and the We Go MALL, Ma On Shan, at Mount Regalia, by April 2021, 14 garden houses and 37 apartment units have been sold or contracted to be sold for an aggregate gross consideration of around HK$3.0 billion. Out of these contracted sales, the sales of 4 garden houses and 10 apartment units with an aggregate gross consideration of about HK$788 million have been completed in 2019 and 2020. The revenue from the other contracted sales will be accounted for when the sale transactions are completed. The Group anticipates that significant cash flow will be able to be derived from its property development business, including those attributable to the Group in the projects undertaken by P&R Holdings, within the near future, which will serve to further enhance the Group's financial strength.

In February 2021, a refinancing for a three-year term in an aggregate facility amount of HK$4,125 million secured on the Mount Regalia properties was completed with a syndicate of bank lenders. The facility is divided into two separate tranches. The first tranche is a term loan to P&R Holdings in a facility amount of HK$3,000 million, which is extendable for a further term of two years subject to certain conditions. The other tranche is a revolving loan in a facility amount of HK$1,125 million made directly available to the Group, which will serve to further strengthen the Group's financial resources.

Prudent financial management and a conservative capital structure with a healthy level of liquidity

The Group adopts a balanced approach to financing with a view to optimising the mix of equity and debt. The Group had a gearing ratio of 40.9 per cent. as at 31 December 2020 (gearing ratio is calculated by the Group's borrowings, net of cash and bank balances and deposits divided by total assets). In addition, it is the policy of the Group to maintain a prudent amount of cash and bank balances at all times in order to ensure, among other things, liquidity and credit-worthiness. As at 31 December 2020, the Group had consolidated cash and bank balances of approximately HK$2,748.8 million. Moreover, the Group has access to diversified sources of funds for its operations. The Group's ability to obtain funding from a variety of sources allows it to maintain a competitive advantage under volatile market conditions. These factors enable the Group to maintain a strong financial position with a healthy level of liquidity.

Strong and stable management team with extensive experience and capabilities

The Group has a dedicated and experienced management team which has achieved a strong track record of success in the hospitality and real estate sectors in Hong Kong. The Group's executive Directors have been with the Group for over 20 to 30 years in some cases and its management team has a combined experience in the industry of over 30 years. The experience, in-depth knowledge of the property market of the management team of the Group enables the Group to respond to relevant market trends and the preferences of its target customers, and to effectively manage and control the quality, schedule and costs of its activities and continually improve the success of the Group.

Strategies

The Group will continue to seek acquisition opportunities to maintain its strong standing in the local Hong Kong market

The Group is confident of the prospects of the hotel industry in Hong Kong. The Group's hotel portfolio in Hong Kong has grown to 4,918 rooms as at 31 December 2020, which accounts for approximately 9.2 per cent. of all "High Tariff A and B hotel rooms" in Hong Kong as at 31 December 2020.

The Group has through the P&R Group developed 5 new hotels in Hong Kong and the Group is developing the Regala Skycity Hotel.

The Group will continue to seek acquisition of opportunities overseas

Since 2014 the Group has begun the process of re-establishing its international presence. In 2014, the Group acquired a hotel property in Barcelona, Spain. The Campus La Mola property has a total of 186 rooms. In 2018, the Group acquired a 90 per cent. interest in a rehabilitation and renovation project for a historic building in Lisbon, Portugal, which is intended to be redeveloped for sale. In 2019, the Group acquired a freehold property in Kingsway, London, the United Kingdom, which is intended to be renovated into a hotel with 73 guestrooms and a restaurant. It is intended that the London property will be self-operated by the Group.

The Group will continue to look for acquisition opportunities, both with a view to maintaining its eminence in the local market and, when circumstances are considered appropriate, to expand its hotel network overseas.

The Group will continue to invest in property projects and would fund expansion of its activities through the continuing gradual disposal of its properties at optimal prices

The Group remains optimistic of the high-end residential sector in Hong Kong due to limited supply. The additional cash resources to be generated from time to time from the continuing gradual disposal of the retained houses in Regalia Bay will be useful for the funding of the Group's ongoing business development. The Group remains positive about the value of its retained houses in Regalia Bay and would gradually dispose of these properties if the price offered by prospective buyers is considered to be attractive. In addition, various property residential property development projects undertaken through the P&R Group such as Domus and Casa Regalia in Yuen Long, The Ascent in Sham Shui Po and Mount Regalia in Kau To have achieved satisfactory results in sales and have generated significant cash proceeds. The foundation works of the residential/commercial development project at Queen's Road West have been completed and the superstructure works are in progress. The project at Queen's Road West is expected to be completed in 2022 and the presale of the residential units in this development has recently been launched. The Group continues to seek appropriate opportunities for the acquisition of new property projects in Hong Kong, given the long-term buoyant outlook of the Hong Kong property market.

The P&R Group will leverage the strong name recognition and branding of the Group, and develop the network associated with the Group

The Group enjoys renowned brand status in Hong Kong and the PRC. The strong track record of hotel management of the Group may enable its associates P&R Holdings to acquire potential future projects in Hong Kong and the PRC and to acquire land at attractive costs in prime locations.

Long-term strategy to focus on growth in the PRC of the Group's hotel operation and management business to broaden the strength of the Group's property portfolio and product offering

The Group's long-term focus is to continue to develop its presence in certain selected cities in the PRC. There are currently 8 hotels under the Group's management in the PRC, including 5 operating hotels and 3 hotels under development, with a total room count of about 2,190. The Group's present focus is on first and second tier cities in the PRC and has opened regional sales offices in Beijing, Shanghai and Guangzhou to support its hotel operation and management businesses. The Group may open more regional sales offices as its operations in the PRC continues to grow. With over 23 years' presence in the PRC hotel market, the Group has established a well-known brand which raises the profile not only of its operations in the PRC but also alerts PRC travellers to Hong Kong of its distinctive product offering. In 2019, over 35 per cent. of the Group's customers are from the PRC which is expected to remain a major origin of the Group's hotel customers after the COVID-19 pandemic has receded. Due to the outbreak of COVID-19, the arrival of travellers to Hong Kong has been drastically reduced and the guest mix of the Group's Hotels severely distorted for 2020. In the long run, the Group intends to continue to grow its hotel management business in the PRC to take advantage of the growing market for travel as well as the increasing awareness of the Regal brand.

The Group will position itself to benefit from improving the guest mix through the increasing exposure to individual-traveller and business travel market

The Group has traditionally benefited from strong exposure to the tour group business and while this has served the Group well, the individual traveller and business travel market is more lucrative as room rate charges can typically be aimed higher than for the lower-margin tour group business. The Group's strong and ongoing commitment to renovating its hotel properties, facilities and guest rooms to upgrade its product offering is pursued with this strategy in mind. In 2019, the guest mix of the hotels mainly comprised 60 per cent. business travellers, 28 per cent. leisure travellers and 12 per cent. airline crew and layover. Due to the outbreak of COVID-19, the arrival of travellers to Hong Kong has been drastically reduced and the guest mix of the Group's Hotels severely distorted for 2020. In the long run, the Group will continue to seek to benefit by attracting more premium customers at the hotels in its portfolio.

As a long-term strategy, the Group is gradually shifting its focus from agency bookings (made through third parties and often for the lower-margin tour group business) to direct, internet-based bookings. Such bookings are more lucrative in that the Group can charge a higher rate for the room than in the case for agency and tour-group bookings, and hence the opportunity to enjoy a higher profit margin on its room business, helping the Group achieve a higher revenue per available room. In this regard, the Group expects to continue to upgrade and promote its own on-line reservation system and website with a view to attracting more direct business thus saving commission expense. The success of this strategy has helped improve the Group's profitability and results of operations.

Core Business

The business of the Group has several key operating segments, mainly hotel operation and management and hotel ownership, asset management of Regal REIT, property development and investment, financial assets investments, aircraft ownership and leasing and other businesses. The following table presents revenue information for the Group's operating segments for the years ended 31 December 2019 and 2020:

Segment revenue	**Year ended 31 December 2019**	**% consolidated**	**Year ended 31 December 2020**	**% consolidated**
	(Audited) HK$ million		**(Audited) HK$ million**	
Hotel operation and management and hotel ownership	1,951.1	87.6	651.1	96.0
Asset management	104.9	4.7	93.9	13.8
Property development and investment	18.7	0.8	15.2	2.2
Financial assets investments	201.8	9.1	(37.8)	(5.6)
Aircraft ownership and leasing	44.2	2.0	36.4	5.4
Others	127.6	5.7	94.9	14.0
Eliminations	(222.1)	(9.9)	(175.0)	(25.8)
Consolidated revenue	**2,226.2**	**100%**	**678.7**	**100%**

For the year ended 31 December 2020, due to the impacts of the COVID-19 pandemic, the revenue of the Group decreased and the Group experienced a net loss of HK$896.8 million. Please see "*Risk Factors – Risks Relating to the Group and its Business - The global economy is facing significant uncertainties and disruptions caused by COVID-19*" for further information.

Market Overview

The outbreak of COVID-19 has triggered a global crisis and severely impacted the economy of many countries. According to a recent publication by the World Bank Group, although the global economy is emerging from the collapse triggered by the COVID-19 pandemic, the recovery is projected to be subdued. For 2020 as a whole, output in the United States is estimated to have fallen by 3.6 per cent. In China, through the effective control of the pandemic and the support from infrastructure spending and public investment-led stimulus, its economy has rebounded at a faster-than-expected pace. Despite the growth in its GDP decelerating from 6.0 per cent. in 2019 to 2.3 per cent. in 2020, China is the only major economy in the world that was able to achieve positive economic growth under the impact of the pandemic crisis. In Hong Kong, the local economy was also hard hit by the pandemic, with its GDP for the year having contracted by 6.1 per cent. as compared to 2019, which is the largest deterioration on record for Hong Kong.

Due to the stringent travel restrictions under the pandemic, visitor arrivals to Hong Kong for the whole year of 2020 plummeted to 3.6 million, including 2.7 million visitors from Mainland China, which was a decline of 93.8 per cent. year-on-year. Total overnight visitors were only 1.4 million and represented a decrease of 94.3 per cent. year-on-year. As a matter of record, the vast majority of those visitors came into Hong Kong in January and February of 2020, before the enforcement of the pandemic lockdown measures. To cope with this adverse market environment, hotel operators in Hong Kong had to shift their business focuses from incoming overseas visitors to domestic staycation and long stay customers. Although this helps hotel occupancy levels to a certain extent, it has a significant downward impact on the room rates.

Based on information published by the Hong Kong Tourism Board, the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the year ended 31 December 2020 was down from 79 per cent. in 2019 to 46 per cent. in 2020, while the average achieved room rate also decreased by 26.5 per cent., thus resulting in a reduction in the average revenue per available room ("RevPAR") of 57.2 per cent. year-on-year.

Hotel Ownership

The Group's hotel portfolio in Hong Kong comprised 4,918 rooms as at 31 December 2020, which accounts for approximately 9.2 per cent. of all "High Tariff A and B hotel rooms" in Hong Kong as at 31 December 2020.

Set out below is a table of the Group's operating hotel properties in Hong Kong:

Name	Location	Completion Year	No. of rooms	Covered Floor Area (Approx.)
Regal Airport Hotel..............	Chek Lap Kok	1999	1,171	83,400 sq.m.
Regal Hongkong Hotel	Causeway Bay	1993	481	32,000 sq.m.
Regal Kowloon Hotel	Tsim Sha Tsui	1982	600	43,500 sq.m.
Regal Oriental Hotel	Kowloon City	1982	494	27,300 sq.m.
Regal Riverside Hotel...........	Shatin	1986	1,147	69,100 sq.m.
iclub Wan Chai Hotel............	Wan Chai	2009	99	5,530 sq.m.
iclub Sheung Wan Hotel	Sheung Wan	2014	248	9,600 sq.m.
iclub Fortress Hill Hotel	North Point	2014	338	9,400 sq.m.
iclub Ma Tau Wai Hotel	To Kwa Wan	2017	340	9,490 sq.m.

As at 31 December 2020, the Group held approximately 74.6 per cent. of the total outstanding issued units of Regal REIT.

Regal REIT owns the following hotels: the Regal Airport Hotel; the Regal Hongkong Hotel; the Regal Kowloon Hotel; the Regal Oriental Hotel and the Regal Riverside Hotel, which form the core of the Group's hotel ownership, as well as four iclub Hotels in Wanchai, Sheung Wan, Ma Tau Wai and Fortress Hill (together with iclub Mong Kok Hotel wholly owned by the P&R Group and iclub AMTD Sheung Wan Hotel 50 per cent. owned by the P&R Group, collectively the "**iclub Hotels**").

The "iclub" brand is another line of hotels developed by the Group, which are typically positioned as upscale select-service hotels, with contemporary and stylish décor, and equipped with tech-savvy facilities. The first hotel under the "iclub" brand was the iclub Wan Chai Hotel, which has been self-operated by Regal REIT since 2011. This hotel has since its opening been well received by individual and business travellers.

The current portfolio of properties comprises a good mixture of five full-service type hotels and four select-service type hotels in strategic locations under the "iclub" brand, catering to different market demands. Except for the iclub Wan Chai Hotel which is self-operated by Regal REIT, all other eight hotels are operated by Favour Link International Limited ("**Favour Link**"), which operates the eight other Regal Hotels and iclub Hotels under lease from Regal REIT.

The Group is developing through its wholly owned subsidiary a second hotel at the Hong Kong International Airport. This new hotel is proposed to be named as Regala Skycity Hotel. The occupation permit for this new hotel was issued in March 2021 and the hotel is expected to be open for business in the latter part of 2021.

The Group also owns a 186-room hotel in Barcelona, Spain, which was self-operated previously. This hotel property had since September 2017 been leased to an independent third party with satisfactory rental income in 2019. The lessee is in default on rental payments due to the COVID-19 situation and the Group is now taking legal action to enforce its rights under the lease agreement.

In April 2019, the Group acquired an existing property located at a prime location in London, the United Kingdom. Planning works have commenced to renovate this property into a hotel with about 73 guestrooms and a restaurant. The renovation works are scheduled to commence in 2021 and the renovated hotel is intended to be self-operated by the Group.

Hotel Operations

The Group's hotel operating businesses in 2020 have been severely disrupted due to the COVID-19 pandemic. Faced with the dramatic drop in the number of overseas and Chinese visitors to Hong Kong, the Group has been promoting, since March 2020, long staying and staycation packages to attract local customers. Moreover, the Group entered into an agreement with the Department of Health of the Hong Kong Government in April 2020 to lease the Regal Oriental Hotel in Kowloon City en bloc to the government, primarily used as holding facility for incoming visitors to Hong Kong while waiting for the COVID-19 test results. The lease was for an initial term of three months, which was subsequently extended for a further term of one month. Apart from fulfilling the social responsibilities towards the community, this lease arrangement has generated for the Group some steady recurring operating income in the short term.

Through these adjusted business strategies and the implementation of cost saving measures, the Group has managed to achieve during the year ended 31 December 2020 a modest gross operating profit in the overall business operations of its hotels in Hong Kong, though the quantum was far short of those in the prior years when the Group's hotels were operating under normal market conditions. Gross profit from hotel operations fell to HK$52.8 million during the year ended 31 December 2020, as compared to HK$716.7 million in 2019 and HK$1,060.6 million in 2018.

In December 2020, the Regal Airport Hotel, the Regal Oriental Hotel and the iclub Ma Tau Wai Hotel enrolled in the Designated Quarantine Hotel Scheme organised by the Department of Health of the Hong Kong Government for use as quarantine hotels on a short term basis. Under the contracts with the Hong Kong Government, there is a guarantee revenue arrangement whereby a minimum revenue for each of the hotels is guaranteed by the Hong Kong Government over the relevant period. Apart from fulfilling the corporate social responsibilities, the temporary use of these hotels as quarantine hotels can also serve to generate some steady revenues.

During the year ended 31 December 2020, the combined average occupancy of the five Regal Hotels, which are operated as full-service hotels, was 37.2 per cent., as compared to 77.9 per cent. for the same period in the preceding year, while their combined average room rate decreased by 41.6 per cent. Consequently, their combined average RevPAR dropped by 72.1 per cent. year-on-year.

Apart from the five Regal Hotels, three of the four iclub Hotels owned by Regal REIT in Hong Kong have also been leased to Favour Link for hotel operations. There are two other iclub hotels currently operating in Hong Kong, the iclub Mong Kok Hotel and the iclub AMTD Sheung Wan Hotel, which are 100 per cent. and 50 per cent. owned by the P&R Group respectively. Both of the hotels are self operated by their owners but managed by the Group.

For the year ended 31 December 2020, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel attained a combined average occupancy rate of 72.1 per cent., a decrease of 9.3 percentage points below the same period in 2019. Meanwhile, their combined average room rate declined by 48.5 per cent., resulting in a reduction in their combined average RevPAR of 54.4 per cent. year-on-year.

The iclub Ma Tau Wai Hotel was acquired by Regal REIT from P&R Holdings in 2017. The lease for this hotel is still within the initial five-year lease term with predetermined fixed annual rental. 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 five Regal Hotels and six iclub Hotels now operating in Hong Kong. Another new hotel in Hong Kong, also to be managed by Regal Hotels International Limited, is coming on stream, namely the Regala Skycity Hotel, which is being developed by the Group and scheduled to be opened for business in the latter part of 2021.

In the PRC, the Group is presently managing a total of five operating Regal Hotels, including two in Shanghai, two in Dezhou and one in Xi'an. Three other hotels to be managed by the Group are under development, which are separately located in Chengdu, Jiangmen and Kunshan.

Set out below is a table showing existing and future hotels and hotel projects in the PRC to which management services are and/or will be provided by the Group:

Name	Location	Number of rooms
Regal Jinfeng Hotel	Shanghai	371 rooms
Regal Plaza Hotel & Residence	Shanghai	282 rooms
Regal Kangbo Hotel	Dezhou, Shandong	215 rooms
Regal Kangbo Hotel & Residence	Dezhou, Shandong	190 rooms
Regal Airport Hotel, Xian	Xian, Shaanxi	297 rooms
Regal Riverfront Hotel (2022)	Jiangmen, Guangdong	285 rooms
Regal Xindu Hotel (2022)	Chengdu, Sichuan	300 rooms
Regal Huaqiao Hotel (to be confirmed)	Kunshan, Jiangsu	250 rooms

The Group does not have any equity interest in the above hotels except Regal Xindu Hotel in which the Group holds an indirect equity interest through Cosmopolitan.

The Group will continue to invest additional management and financial resources to its management businesses in China, with a view to expanding its network to other major selected cities.

Property Development

Information relating to the property projects undertaken and the principal properties owned by the Group, which (except for the property project in Portugal) are all wholly owned, is set out below:

- 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 occupation permit for this new hotel was issued in March 2021 and the hotel is anticipated to be opened for business in the latter part of 2021.

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

  The project has a combined site area of 682 square metres (7,343 square feet) and is planned for a commercial/residential development with gross floor area of about 5,826 square metres (62,711 square feet). The general building plans have been approved and the demolition works of the existing buildings completed. The foundation works have been completed and the superstructure works are in progress. The project is expected to be completed in 2022. Presale of the residential units in this development has recently been launched.

- 227-227A & 227B-227C Hai Tan Street, Sham Shui Po, Kowloon

  The project has a site area of 444 square metres (4,776 square feet) and is planned for a commercial/residential development with gross floor area of 3,770 square metres (40,580 square feet).

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

  As at 31 December 2020, a total of 12 garden houses in Regalia Bay with total gross area of about 5,470 square metres (58,879 square feet) are still being retained, 6 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

- Campus La Mola, Barcelona, Spain

  This hotel property was acquired by the Group in 2014. It has a total of 186 guestrooms.

- 41 Kingsway, London WC2B 6TP, the United Kingdom

  The Group acquired this freehold existing property at an aggregate consideration of approximately GBP22 million (HK$223.7 million) in April 2019. 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

  In 2018, the Group acquired a 90 per cent. 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. There have been some delays due to the COVID-19 pandemic and project completion is now expected to be in the third quarter of 2021. The property project is intended for sale.

Property Ownership

The list of completed properties held by the Group as at 31 December 2020 is set out below:

No.	Description	Use	Lease	Percentage of interest attributable to the Group
1	12 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Medium term	100
2	Campus La Mola, Cami dels Plans de Can Bonvilar s/n, 08227 – Terrassa, Barcelona, Spain	Hotel	Freehold land	100
3	Regal Airport Hotel, 9 Cheong Tat Road, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	Medium term	74.58
4	Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong	Hotel	Long term	74.58
5	Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong	Hotel	Medium term	74.58
6	Regal Oriental Hotel, 30-38 Sa Po Road and Shops 3-11 on G/F including Cockloft of Shops 5-7 and the whole of 1/F, Po Sing Court, 21-25 Shek Ku Lung Road, 40-42 Sa Po Road and 15-29 Carpenter Road, Kowloon City, Kowloon, Hong Kong	Hotel	Medium term	74.58
7	Regal Riverside Hotel, 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong	Hotel	Medium term	74.58
8	iclub Wan Chai Hotel Shops A, B and C on G/F, Flat Roof on 3/F, Whole of 5-12/F, 15-23/F and 25-29/F, Eastern and Western Elevations of External Walls,	Hotel/ commercial	Long term	74.58

No.	Description	Use	Lease	Percentage of interest attributable to the Group
	Architectural Feature at Roof Top and Upper Roof, 211 Johnston Road, Wanchai, Hong Kong			
9	iclub Fortress Hill Hotel 18 Merlin Street, North Point, Hong Kong	Hotel	Long term	74.58
10	iclub Sheung Wan Hotel, 138 Bonham Strand, Sheung Wan, Hong Kong	Hotel	Long term	74.58
11	iclub Ma Tau Wai Hotel 8 Ha Heung Road, To Kwa Wan, Kowloon, Hong Kong	Hotel	Long term	74.58

The list of property projects held by the Group as at 31 December 2020 under development is set out below:

No.	Description	Use	Percentage of interest attributable to the Group
1	Regala Skycity Hotel, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	100
2	150-162 Queen's Road West, Hong Kong	Commercial / Residential	100
3	Certain units in 227-227A & 227B-227C Hai Tan Street, Sham Shui Po, Kowloon	Commercial / Residential	100
4	41 Kingsway, London WC2B 6TP, the United Kingdom	Hotel	100
5	Fabrik, Rua Dos Fanquerios 156, Lisbon, Portugal	Commercial	90

Aircraft ownership and leasing

As at 31 December 2020, 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 agreements of two Airbus A320-232 with the existing lessee, which is a major British international airline operator, from 2020 to 2024. The extension of these leases has provided 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. There have been payment defaults on the lease for this third aircraft. The Group is monitoring the situation and working closely with the professional aircraft manager for remedial solutions.

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 23 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 31 December 2020, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$20.82 per share, computed as follows:

	As at 31 December 2020	
	HK$ million	HK$ per ordinary share
Book net assets attributable to equity holders of the parent.............................	12,806.2	14.25

	As at 31 December 2020	
	HK$ million	**HK$ per ordinary share**
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities................	5,907.3	6.57
Unaudited adjusted net assets attributable to equity holders of the parent..	**18,713.5**	**20.82**

Capital Expenditure, Financing Activities and Other Investments

Capital Expenditure

The Group's capital expenditure in respect of its hotels under ownership for 2019 and 2020, in addition to the regular replacement of furniture, fixture and equipment includes capital additions projects comprising primarily refurbishment and upgrading of existing guest rooms and other hotel facilities.

The Group will continue to refurbish and upgrade the hotels' guest rooms and facilities in order to maintain their high standard and enhance their competitiveness and profitability on an on-going basis.

Apart from the capital expenditure on the existing hotels, there is capital expenditure incurred or to be incurred through hotel and other property development projects being undertaken by the Group. No further material capital contribution by internal resources for the existing projects is presently expected as the development costs of such projects have been and will be substantially funded by external project loans.

Financing activities

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 yield enhancement products are deployed when circumstances are considered to be appropriate.

Property (including hotel) development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion of the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied to the estimated project completion date. Property development projects in the PRC (through P&R Holdings) are presently financed by internal resources and proceeds from the presale of the units. Project financing for the projects in the PRC (through P&R Holdings) may be arranged in local currency on appropriate terms to cover a part of the land cost and/or construction cost, and with the loan maturity tied into the estimated project completion date.

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates, while its senior unsecured notes were denominated in U.S. 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 U.S. 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 U.S. dollar and Hong Kong dollar, the Group will consider hedging part or all of the investment amounts into U.S. dollars or Hong Kong dollars to reduce the Group's exposure to currency fluctuation.

Other investments

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, private equities, bonds as well as treasury and yield enhancement products. The capital markets have been extremely volatile in the first six months of 2020, which had an adverse impact on the performance of the Group in the interim period. The capital markets globally significantly rebounded in the second half of 2020 and the gains from this business segment have contributed to the relatively improved results achieved by the Group for that period.

Borrowings and Pledge of Assets

As at 31 December 2020, the Group had cash and bank balances and deposits of HK$2,748.8 million as compared with HK$1,866.1 million as at 31 December 2019. The Group's borrowings, net of cash and bank balances and deposits, amounted to HK$13,264.7 million as compared with HK$13,907.1 million as at 31 December 2019.

As at 31 December 2020, the gearing ratio of the Group was 40.9 per cent. (as compared to 42.5 per cent. as at 31 December 2019), representing the Group's borrowings, net of cash and bank balances and deposits of HK$13,264.7 million (as compared with HK$13,907.1 million as at 31 December 2019), divided by the total assets of the Group of HK$32,459.3 million (as compared with HK$32,702.0 million as at 31 December 2019).

As at 31 December 2020, 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$21,288.1 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.

Competition

Competition in the hotel industry in Hong Kong and the PRC has traditionally been strong. Competition is based primarily on room rates, quality of accommodation, brand recognition, service level, convenience of location and the quality and scope of other amenities. The Group's hotels generally compete with other High Tariff B Hotels in Hong Kong (generally referring to those hotels of high quality outside of the group of premium, international, five-star brands). The Group believes that its hotels have a competitive advantage due to the reputation of its brand, as well as its commitment to upgrading its accommodation and facilities and the location of its hotel properties.

Intellectual Property

The core intellectual property rights of the Group are held in the "Regal" brand name, which is protected by patent in Hong Kong. A wholly-owned subsidiary of the Company has entered into a trademark agreement with Regal REIT (the "**Deed of Trademark Licence**") under the terms of which Regal Portfolio Management Limited (as REIT manager of Regal REIT) has been licensed to use the "Regal" name or the "R" logo in connection with the business of each Initial Hotel Property.

There have been no instances of any material abuse of the Group's intellectual property rights.

Insurance

The Group is covered by industry standard insurance policies arranged with reputable insurance companies which cover loss of rental, fire, flood, riot, strike, malicious damage, other material damage to property and development sites, business interruption and public liability.

The Group believes that its properties are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage. Notwithstanding the Group's insurance coverage, damage to the Group's buildings, facilities, equipment, or other properties as a result of occurrences such as fire, floods, water damage, explosion, power loss, typhoons and other natural disasters could nevertheless have a material adverse effect on the Group's financial condition and results of operations.

Employees

As at 31 December 2020, the Group employed approximately 1,350 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute certain percentages of their payroll costs to the relevant central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the central pension schemes.

Environmental and Safety Matters

The Group believes that it is in compliance in all material respects with applicable environmental regulations in Hong Kong and the PRC which relate to its business and operations. As at the date of this Offering Circular, the Group is not aware of any significant environmental proceedings or investigations to which it is or might become a party.

Government Regulations

The operations of the Group are subject to various laws and regulations of Hong Kong and the PRC. The Group's activities conducted on its investment and development properties are limited by zoning ordinances and other regulations. Developing properties, refurbishment and other re-development projects require government permits, some of which may take a longer time to obtain than others. The Group's properties are subject to routine inspections by government officials with regard to various safety and environmental issues. The Group believes that it is in compliance in all material respects with government safety regulations currently in effect. The Group has not experienced significant problems with any regulation with regard to these issues, and is not aware of any pending legislation on these issues that might have a material adverse effect on its properties.

Legal Proceedings

The Group may be involved in litigation as part of its day to day business although neither the Guarantor nor its subsidiaries is presently involved in any litigation which would have a material adverse effect on the business or financial position of the Group.

DIRECTORS

The members of the board of directors of the Company (the "**Board**") as at the date of this Offering Circular are as follows:

Name	Age	Position
LO Yuk Sui	76	Chairman, Chief Executive Officer and Executive Director
LO Po Man...........................	41	Vice Chairman, Managing Director and Executive Director
Belinda YEUNG Bik Yiu......	63	Executive Director and Chief Operating Officer
Donald FAN Tung................	64	Executive Director
Jimmy LO Chun To..............	47	Executive Director
Kenneth NG Kwai Kai	66	Executive Director
Allen WAN Tze Wai............	62	Executive Director
Francis CHOI Chee Ming......	75	Vice Chairman and Non-Executive Director
Alice KAN Lai Kuen............	66	Independent Non-Executive Director
Japhet Sebastian LAW	69	Independent Non-Executive Director
Winnie NG	57	Independent Non-Executive Director
WONG Chi Keung................	66	Independent Non-Executive Director

Executive Directors

Mr. LO Yuk Sui has been the Chairman of the Company since 1989 when it was established in Bermuda as the holding company of the Group. He has been the managing director and the chairman of the predecessor listed company of the Group since 1984 and 1987 respectively. Mr. Lo was designated as the Chief Executive Officer of the Company in 2007. He is also an executive director, the chairman and the chief executive officer of Century City (the ultimate listed holding company of the Company), Paliburg (the immediate listed holding company of the Company) and Cosmopolitan (the listed fellow subsidiary of the Company), and a non-executive director and the chairman of Regal Portfolio Management Limited ("**RPML**"), the manager of Regal Real Estate Investment Trust (the listed subsidiary of the Company). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Miss LO Po Man and Mr. Jimmy LO Chun To.

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

Ms. Belinda YEUNG Bik Yiu, JP joined the Group in 1987. She was appointed to the Board as an Executive Director in 2002 and designated as the Chief Operating Officer of the Company in 2007. Graduating from Barron Hilton School of Hotel Management, University of Houston, the United States, Ms. Yeung has devoted her career in the hospitality industry in the United States, Mainland China and Hong Kong – on both multi-unit corporate and single-unit hotel property management levels. As the Chief Operating Officer, she is in charge of the operations of all Regal Hotels in Hong Kong and Mainland China. In addition to her hotel management responsibilities, Ms. Yeung is also responsible for the human resources management of the Century City Group. In 2019, Ms. Yeung was appointed as a Justice of the Peace. Ms. Yeung is a member of Election Committee for the Hong Kong Chief Executive Election, non-official member of the Business Facilitation Advisory Committee of the Government of Hong Kong, Board Member of the Hong Kong Tourism Board, First Vice Chairman of the Federation of Hong Kong Hotel Owners, Fellow of The Hong Kong Polytechnic University and Honorary Fellow of the Vocational Training Council.

Mr. Donald FAN Tung was appointed to the Board as an Executive Director in 2002. Mr. Fan is a qualified architect. He has been with the Group since 1987 and is primarily in charge of the property investment and development businesses and the hotel project works of the Group. Mr. Fan is also an executive director of CCIHL, an executive director and the chief operating officer of PHL and a non-executive director of RPML. Mr. Fan is involved in the property development, architectural design and project management functions as well as overseeing the building construction business of the PHL Group (comprising PHL and its subsidiaries).

Mr. Jimmy LO Chun To was appointed to the Board as an Executive Director in 1999. He is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director, a vice chairman and the managing director of Cosmopolitan, and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, the United States with a Degree in Architecture. He joined the Century City Group in 1998. Mr. Jimmy Lo is primarily involved in overseeing the property projects of Cosmopolitan and its subsidiaries in the PRC and, in addition, undertakes responsibilities in the business development of the Century City Group. He is the son of Mr. LO Yuk Sui and the brother of Miss LO Po Man.

Mr. Kenneth NG Kwai Kai joined the Group in 1985 and was appointed to the Board as an Executive Director in 1998. Mr. Ng is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and Cosmopolitan, and a non-executive director of RPML. Mr. Ng is a Chartered Secretary and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group.

Mr. Allen WAN Tze Wai was appointed to the Board as an Executive Director in 2010. Mr. Wan has been with the Century City Group for over 27 years and is the Group Financial Controller of the Century City Group. Mr. Wan holds a Bachelor Degree in Commerce from the University of New South Wales in Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and of CPA Australia. Mr. Wan has over 39 years of experience in the finance and accounting field.

Non-Executive Director

Dr. Francis CHOI Chee Ming, GBS, JP joined the Board as a Non-Executive Director and was elected Vice Chairman in 2004. Dr. Choi holds a Master's Degree in Business Administration from the Newport University in the United States. He also holds a Ph. D. in Business Management from Harbin Institute of Technology, the PRC and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. Dr. Choi is the chairman of Early Light International (Holdings) Limited and has extensive business interests in the manufacturing industry and the property sector. He is the Honorary President of the Toys Manufacturers' Association of Hong Kong, Honorary President of the Hong Kong Young Industrialists Council and the Court Member of the Hong Kong Polytechnic University, a member of Sun Yat-sen University Advisory Board, the PRC and the Honorary Chairman of the Board of Trustees of Shaoguan University, the PRC.

Independent Non-Executive Directors

Ms. Alice KAN Lai Kuen joined the Board as an Independent Non-Executive Director in 2004. Ms. Kan is also an independent non-executive director of Cosmopolitan. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services. She is a licensed investment adviser under the SFO and a responsible officer of Asia Investment Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of Jolimark Holdings Limited, Shimao Group Holdings Limited and Shimao Services Holdings Limited, all of which are companies listed on the Hong Kong Stock Exchange.

Professor Japhet Sebastian LAW joined the Board as an Independent Non-Executive Director in 2012. Professor Law obtained his Ph.D. in Mechanical/Industrial Engineering from The University of Texas at Austin in 1976. He joined The Chinese University of Hong Kong in 1986 and was a professor in the Department of Decision Sciences and Managerial Economics and the director of the Aviation Policy and

Research Center until his retirement since August 2012. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 to 2002. Prior to returning to Hong Kong, Professor Law was the director of operations research at the Cullen College of Engineering and director of graduate studies in Industrial Engineering at the University of Houston, and he was also involved with the United States space programme in his career with McDonnell Douglas and Ford Aerospace in the United States. Professor Law has acted as a consultant for various corporations in Hong Kong and overseas. He is active in public services, having served as a member of the Provisional Regional Council of the Government of Hong Kong and various other government advisory committees, and he is also active in serving on the boards of for-profit, non-profit, public and charitable organizations in Hong Kong and overseas. Professor Law is currently an independent non-executive director of Binhai Investment Company Limited, Global Digital Creations Holdings Limited, Shougang Fushan Resources Group Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited and Tianjin Port Development Holdings Limited, all of which are companies listed on the Hong Kong Stock Exchange. He was also an independent non-executive director of Beijing Capital International Airport Company Limited, a company listed on the Hong Kong Stock Exchange, and is currently an independent member of the supervisory board. Professor Law has also served on various committees and boards of international organizations, including The Association to Advance Collegiate Schools of Business, Graduate Management Admission Council and Oxfam International.

Ms. Winnie NG, JP was invited to the Board as Independent Non-Executive Director in 2018. She is also an independent non-executive director of CCIHL and PHL since 2018. Ms. Ng holds an MBA (Master of Business Administration) from University of Chicago and an MPA (Master of Public Administration) from Harvard University. Ms. Ng has received numerous awards and recognition. In 2019, Ms. Ng received the Outstanding Businesswomen Award and in 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award and China Top Ten Outstanding Women Entrepreneurs. In previous years, she received recognitions as a Woman of Excellence in Hong Kong, one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, Yazhou Zhoukan Young Chinese Entrepreneur Award and was Mason Fellow of Harvard University. Active in public service, Ms. Ng is Director of Po Leung Kuk, Member of Women's Commission, Member of Town Planning Board, Director of CUHK Medical Centre, Advisor of Our Hong Kong Foundation, Council Member of The Better Hong Kong Foundation, and Court Member of The Hong Kong Polytechnic University. She was Chairman of Hospital Governing Committee of Prince of Wales Hospital from 2014 to 2020. She was Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, and Member of Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016. She was Member of Employees Retraining Board and its Course Vetting Committee Convener, and Member of Vocational Training Council from 2011 to 2017. Ms. Ng is also a non-executive director of Transport International Holdings Limited, and she was the founder, deputy chairman and a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited). Both companies are listed on the Stock Exchange.

Mr. WONG Chi Keung joined the Board as an Independent Non- Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and PHL. He holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Chartered Governance Institute and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities under the SFO. Mr. Wong was an executive director, the deputy general manager, the group financial controller and the company secretary of Guangzhou Investment Company Limited (now known as "Yuexiu Property Company Limited"), a company listed on the Hong Kong Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Changyou Alliance Group Limited, China Ting Group Holdings Limited, Golden Eagle Retail Group Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Hong Kong Stock Exchange. Mr. Wong has over 38 years of experience in finance, accounting and management.

The Board of Directors of the Company

The Board has appointed three board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"), all established by the board for overseeing certain functions delegated by the board.

Audit Committee

The Audit Committee was established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and has, amongst other things, responsibility for reviewing with management the accounting principles and practices adopted by the Group and discussing auditing, internal control and financial reporting matters including the review of the interim and final financial statements.

The Audit Committee currently comprises four Independent Non-Executive Directors and the Non-Executive Director of the Company. The current members are Mr. WONG Chi Keung (who acts as Chairman of the Audit Committee), Ms, Alice KAN Lai Kuen, Professor Japhet Sebastian Law, Ms. Winnie NG and Dr. Francis CHOI Chee Ming.

Remuneration Committee

The Remuneration Committee was established with specific written terms of reference that deal with its authority and duties. The principal responsibilities of the Remuneration Committee are to review the remuneration of individual Directors and senior management and to make recommendations to the Board on the policy and structure for the determination of the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy of the Company on such matters.

The Remuneration Committee currently comprises four members, including one Executive Director and three Independent Non-Executive Directors of the Company. The current members of the Remuneration Committee are Mr. LO Yuk Sui, Mr. WONG Chi Keung (who acts as Chairman of the Remuneration Committee), Ms. Alice KAN Lai Kuen and Ms. Winnie NG.

Nomination Committee

The Nomination Committee was established with specific written terms of reference that deal with its authority and duties. The principal responsibility of the Nomination Committee is to make recommendations to the Board in relation to the nomination and appointment of the Directors of the Company, with a view to ensuring fairness and transparency in the nomination and selection procedures.

The Nomination Committee currently comprises four members, including one Executive Director and three Independent Non-Executive Directors of the Company. The current members of the Nomination Committee are Mr. LO Yuk Sui (who acts as Chairman of the Nomination Committee), Ms. Alice KAN Lai Kuen, Ms. Winnie NG and Mr. WONG Chi Keung.

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

Substantial Shareholders' and Directors' Interests

Directors' interests in share capital

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules, were as follows:

The Company/Name of associated corporation	Name of Director	Number of shares held: Class of shares held	Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31 December 2020)
The Company	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
	Miss Lo Po Man	Ordinary (issued)	300,000		269,169 (Note d)	569,169 (0.06%)
	Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	—	—	50,240,000 (5.59%)
	Mr. Allen Wan Tze Wai	Ordinary (issued)	10,200	—	—	10,200 (0.001%)
CCIHL	Mr. Lo Yuk Sui	Ordinary (issued)	110,887,396	1,769,164,691 (Note a)	380,683	1,880,432,770 (58,69%)
	Miss Lo Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.004%)
	Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	200	—	—	200 (0.000%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)
	Mr. Allen Wan Tze Wai	Ordinary (issued)	24,000	—	—	24,000 (0.001%)
PHL	Mr. Lo Yuk Sui	Ordinary (issued)	90,978,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
	Miss Lo Po Man	Ordinary (issued)	1,116,000	—	—	1,116,000 (0.10%)
	Mr. Donald Fan Tung	Ordinary (issued)	556	—	—	556 (0.000%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	—	—	176,200 (0.02%)
	Mr. Allen Wan Tze Wai	Ordinary (issued)	200	—	—	200 (0.000%)
Cosmopolitan	Mr. Lo Yuk Sui	Ordinary (i) (issued)	—	4,194,426,144 (Note e)	—	4,194,426,144
		(ii) (unissued)	—	3,545,487,356 (Note f)	—	3,545,487,356
					Total:	7,739,913,500 (131.35%)
		Preference (issued)	—	2,295,487,356 (Note f)	—	2,295,487,356 (99.99%)
	Miss Lo Po Man	Ordinary (issued)	1,380,000	—	—	1,380,000 (0.03%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	—	—	2,269,101 (0.05%)
Regal REIT	Mr. Lo Yuk Sui	Units (issued)	—	2,443,033,102 (Note g)	—	2,443,033,102 (74.99%)
8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1,000 (Note h)	—	1,000 (100%)

Notes

(a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").

(b) The interests in 694,124,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.68 per cent. shareholding interests.

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

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

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

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

(c) The interests in 421,400 issued ordinary shares of the Company were held through companies wholly owned by CCIHL in which Mr. Lo held 58.68 per cent. shareholding interests. The interests in 599,025,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 62.28 per cent. shareholding interests. The interests in the other 23,408,000 issued ordinary shares of the Company were held through a wholly owned subsidiary of Cosmopolitan, in which P&R Holdings (which is owned as to 50 per cent. each by PHL and the Company through their respective wholly owned subsidiaries) held 44.05 per cent. shareholding interests. PHL held 69.25 per cent. shareholding interests in the Company.

(d) The interests in 269,169 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.

(e) The interests in 2,595,901,480 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50 per cent. each by PHL and the Company through their respective wholly owned subsidiaries. The interests in the other 1,065,191,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. The interests in the other 533,333,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of PHL. PHL, in which CCIHL held 62.28 per cent. shareholding interests, held 69.25 per cent. shareholding interests in the Company. Mr. Lo held 58.68 per cent. shareholding interests in CCIHL.

(f) The interests in 3,545,487,356 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50 per cent. each by PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28 per cent. shareholding interests, held 69.25 per cent. shareholding interests in the Company. Mr. Lo held 58.68 per cent. shareholding interests in CCIHL.

The interests in 2,295,487,356 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,295,487,356 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,250,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds in the principal amount of HK$500,000,000 issued by a wholly owned subsidiary of Cosmopolitan. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

(g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. Cosmopolitan was held as to 44.05 per cent. shareholding interests by P&R Holdings, which is owned as to 50 per cent. each by PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28 per cent. shareholding interests, held 69.25 per cent. shareholding interests in the Company. Mr. Lo held 58.68 per cent. shareholding interests in CCIHL.

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

Save as disclosed herein, as at 31 December 2020, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

Substantial shareholders' interests in share capital

As at 31 December 2020, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

	Total number of ordinary			
Name of substantial shareholder	**Number of issued ordinary shares held**	**Number of underlying ordinary shares held**	**Total number of ordinary shares (issued and underlying) held**	**Approximate percentage of issued ordinary shares as at 31 December 2020**
YSL International Holdings Limited ("YSL Int'l") (note i)...............................	622,855,261	—	622,855,261	69.30%
Grand Modern Investments Limited ("Grand Modern") (note ii)	622,855,261	—	622,855,261	69.30%
CCIHL (note iii)...	622,855,261	—	622.855,261	69.30%
Century City BVI Holdings Limited ("CCBVI") (note iv)	622,855,261	—	622,855,261	69.30%
PHL (note v)...	622,433,861	—	622,433,861	69.25%

Name of substantial shareholder	Total number of ordinary			
	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 31 December 2020
Paliburg Development BVI Holdings Limited (note vi)......................................	622,433,861	—	622,433,861	69.25%
Guo Yui Investments Limited (note vi)......	271,140,466	—	271,140,466	30.17%
Paliburg BVI Holdings Limited (note vi)...	230,870,324	—	230,870,324	25.69%
Taylor Investments Ltd. (note vi)	154,232,305	—	154,232,305	17.16%
Glaser Holdings Limited (note vi).............	58,682,832	—	58,682,832	6.53%

(i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

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

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

(iv) CCBVI is a wholly owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.

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

(vi) These companies are wholly owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31 December 2020, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

(1) Mr. Lo Yuk Sui is a director of YSL Int'l.

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

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

(4) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To and Mr. Kenneth Ng Kwai Kai are directors of all the above-mentioned wholly owned subsidiaries of CCIHL and PHL.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretation thereof in effect as at the date of this Offering Circular all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. It is emphasised that neither the Issuer nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.

Bermuda

Tax

Under current Bermuda legislation, there is no withholding tax, capital gains tax, income or profits tax, capital transfer tax, estate duty or inheritance tax payable in Bermuda by the Guarantor or any shareholders who are resident outside Bermuda. Furthermore, the Guarantor has obtained from the Minister of Finance in Bermuda, under the Exempted Undertakings Tax Act, 1966 (as amended), an assurance that, in the event of there being enacted in Bermuda any legislation which in the future may impose tax computer on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31 March 2035, be applicable to the Guarantor or to any of its operations, or to shares, debentures or other obligations of the Guarantor except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Guarantor except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Guarantor or to real property in Bermuda owned or leased by the Guarantor or leased or let to the Guarantor.

Stamp duty

As an exempted company, the Company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies. None of the Company, the shareholders and the holders of the Notes, as the case may be (other than persons ordinarily resident in Bermuda), are subject to stamp duty or other similar duty in relation to the Notes (including the transfer thereof).

British Virgin Islands

As the Issuer is incorporated pursuant to the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands ("**BVI**") (i) payment of principal, premium, (if any) and interest in respect of the Notes will not be subject to taxation in the BVI, (ii) no withholding tax will be required to be deducted by the Issuer on such payments to any holder of a Note, and (iii) the Notes will not be liable to stamp duty in the BVI. Gains derived from the sale of the Notes by persons who are non resident in the BVI or not otherwise liable to BVI income tax will not be subject to BVI income tax. The BVI currently has no capital gains, estate duty, inheritance tax or gift tax.

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012.

Since July 2013, the procedures for cross-border Renminbi trade settlement under current account items have been simplified and trades through e-commerce can also be settled in Renminbi under the current regulatory regime. A cash pooling arrangement for qualified multinational enterprise group companies was introduced in late 2014, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. In addition, the eligibility requirements for multinational enterprise groups have been lowered and the cap for net cash inflow has been increased in September 2015.

The PBoC also permit enterprises in the China (Shanghai) Free Trade Pilot Zone ("**Shanghai FTZ**") to establish an additional cash pool in the local scheme in the Shanghai FTZ, but each onshore company within the group may only elect to participate in one cash pooling programme. In November 2016, PBoC Shanghai Headquarters further allowed banks in Shanghai to provide multinational enterprise groups with services of full-function onshore cash pooling, which will enable broader scope for utilising pooled cash.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms, foreign enterprises are now permitted use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements specifically for capital account payments in Renminbi are being removed gradually.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "foreign debt") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "outbound loans"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "cross-border security"). Under current rules promulgated by the State Administration of Foreign Exchange of the PRC ("**SAFE**") and PBoC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, PBoC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. PBoC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between mainland and Hong Kong to allow eligible investors to invest in CIBM and has also expanded the list of foreign investors eligible to directly invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In 2018, the China Foreign Exchange Trade System further relaxed qualifications, application materials and the procedures for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

The reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. Some of the relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

The Dealers have, in an amended and restated dealer agreement (the "**Dealer Agreement**") dated 30 June 2021, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. Where the Issuer agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, Notes at an issue price (the "**Issue Price**"), any subsequent offering of those Notes to investors may be at a price different from such Issue Price. The Issuer has agreed to reimburse the Joint Arrangers for certain of their expenses incurred in connection with the establishment, and any future update, of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis may be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilising activities may only be carried on by the Stabilising Manager(s) named in the applicable Pricing Supplement (or persons acting on behalf of any Stabilising Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or its respective subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

Selling Restrictions

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S under the Securities Act pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment except in accordance with Rule 903 of Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "*Prohibition of Sales to EEA Retail Investors*" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area.

For the purposes of this sub-section, the expression "**retail investor**" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(b) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Pricing Supplement in respect of any Notes specifies the "*Prohibition of Sales to EEA Retail Investors*" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the EU Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, **provided that** any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the EU Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:

(a) such offer is made exclusively to persons or legal entities which are qualified investors (as defined in the Dutch Financial Supervision Act (Wet op het financieel toezicht, the "**FSA**") and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands. For the purposes of this provision, the expressions (i) an "offer of Notes to the public" in relation to any Notes in The Netherlands and (ii) "Prospectus Directive" have the meaning given to them above in the paragraph headed "Public Offer Selling Restriction Under the Prospectus Directive".

(b) Zero Coupon Notes (as defined below) in definitive form of the relevant Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the relevant Issuer or a member firm of Euronext Amsterdam N.V. admitted on one or more systems held or operated by Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (Wet inzake spaarbewijzen) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "Zero Coupon Notes" are Notes that are in bearer form and that constitute a claim for a fixed sum against the relevant Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

United Kingdom

Unless the Pricing Supplement in respect of any Notes specifies the "*Prohibition of Sales to UK Retail Investors*" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom.

For the purposes of this sub-section, the expression "**retail investor**" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

If the Pricing Supplement in respect of any Notes specifies the "*Prohibition of Sales to UK Retail Investors*" as "Not Applicable", each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing

Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) *Approved prospectus*: if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a Public Offer), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Article 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) *Qualified investors:* at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(c) *Fewer than 150 offerees*: at any time to fewer than 150 persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in 4.2(b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other UK regulatory restrictions

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor and would not, if it was not an authorised person, apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme be required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the SFO, other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "Prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Bermuda

Each Dealer has represented, warranted and agreed that the Notes may not be sold or transferred in Bermuda or to or between any person, firm or company regarded as resident of Bermuda for exchange control purposes.

British Virgin Islands

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with respect to offers and sales of any Notes, that it has not and will not make any invitation to the public or any member of the public in the British Virgin Islands to purchase the Notes and the Notes may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

PRC

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the offer of the Notes is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the People's Republic of China and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than:

(a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA;

(b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275, of the SFA; or

(c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

(i) to an institutional investor or to a relevant person. or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

General

None of the Issuer, the Guarantor nor the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. These selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business.

GENERAL INFORMATION

1. **Listing**

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme under which Notes may be issued by way of debt issues to Professional Investors only. Separate application will be made for the listing of the Notes on the Hong Kong Stock Exchange. The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of listing of the relevant Notes.

2. **Authorisation**

The Issuer and the Guarantor have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the Guarantee of the Notes, respectively. The establishment of the Programme, the issue of the Notes thereunder and the provision of the Guarantee of the Notes were authorised by the resolutions of the boards of directors of the Issuer and the Guarantor, respectively, each passed on 30 June 2021.

3. **Legal and Arbitration Proceedings**

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of the Issuer or the Group.

4. **Significant/Material Change**

Since 31 December 2020, there has been no material adverse change in the financial position or prospects nor any significant change in the financial or trading position of the Issuer and/or the Group.

5. **Auditor**

Ernst & Young, the Guarantor's independent auditors, have audited, and rendered unqualified audit reports on, the consolidated financial statements of the Guarantor for the years ended 31 December 2019 and 2020.

Ernst & Young have given and not withdrawn their written consent to the issue of this document with the inclusion of their reports dated 26 March 2020 and 23 March 2021 on the consolidated financial statements of the Guarantor for the years ended 31 December 2019 and 2020 in the form and context in which it is so incorporated or included.

6. **Documents on Display**

Copies of the following documents may be inspected with reasonable prior written notification during normal business hours on any day (Saturdays, Sundays and public holidays excepted) on which banks are open for business in the place of the specified offices of the Fiscal Agent and the CMU Lodging and Paying Agent at Level 60, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong for so long as the Notes are capable of being issued under the Programme and subject to the relevant documents being provided to the Fiscal Agent:

(i) the memorandum and articles of association of the Issuer;

(ii) the Memorandum of Association and Bye-laws of the Guarantor;

(iii) the audited consolidated financial statements of the Guarantor for the years ended 31 December 2019 and 2020;

(iv) copies of the latest annual report and audited annual consolidated financial statements, and any condensed consolidated interim financial statements published subsequently to such audited annual financial statements, of the Guarantor;

(v) each Pricing Supplement (save that a Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity);

(vi) a copy of this Offering Circular, together with any Supplement to this Offering Circular;

(vii) the Fiscal Agency Agreement;

(viii) the Deed of Guarantee;

(ix) the Deed of Covenant; and

(x) the Programme Manual (which contains the forms of the Notes in global and definitive form).

7. **Clearing of the Notes**

The Notes may be accepted for clearance through Euroclear, Clearstream and the CMU Service. The appropriate common code and the International Securities Identification Number or CMU Instrument Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

INDEX TO FINANCIAL STATEMENTS

*The following data is extracted from the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2019 and 2020 together with the independent auditors' reports appearing in the 2019 annual report (the "**2019 Annual Report**") and 2020 annual report of the Guarantor (the "**2020 Annual Report**"), respectively.*

References to page numbers in the 2019 Annual Report and the 2020 Annual Report refer to the original page numbers in the 2019 Annual Report and 2020 Annual Report, respectively, and cross-references to page numbers included in the independent auditors' annual audit report are to such original page numbering.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated Statement of Profit or Loss F-002

Consolidated Statement of Comprehensive Income F-003

Consolidated Statement of Financial Position F-004

Consolidated Statement of Changes in Equity F-006

Consolidated Statement of Cash F-008

Notes to Financial Statements F-010

Independent Auditors' Report F-113

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR FOR THE YEAR ENDED 31 DECEMBER 2020

Consolidated Statement of Profit or Loss F-118

Consolidated Statement of Comprehensive Income F-119

Consolidated Statement of Financial Position F-120

Consolidated Statement of Changes in Equity F-122

Consolidated Statement of Cash Flows F-124

Notes to Financial Statements F-126

Independent Auditors' Report F-228

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2019

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

F-002

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2019

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

F-003

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2019

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

F-004

As at 31st December, 2019

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

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

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

F-006

For the year ended 31st December, 2019

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

F-007

For the year ended 31st December, 2019

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

For the year ended 31st December, 2019

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

F-009

1. CORPORATE AND GROUP INFORMATION

Regal Hotels International Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in hotel operations and management, hotel ownership through its listed subsidiary, Regal Real Estate Investment Trust ("Regal REIT"), asset management of Regal REIT, property development and investment, aircraft ownership and leasing business, and other investments including financial assets investments.

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2019	2018	
Alpha Season Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Ascent Human Resources Holdings Limited	Hong Kong	HK$2	100	100	Provision of housekeeping services and investment holding
Ascent Property Services Limited	Hong Kong	HK$1	100	100	Provision of security and guarding services
Camomile Investments Limited	Hong Kong	HK$2	100	100	Property investment
Capital Charm Holdings Limited	Hong Kong	HK$1	100	100	Property development
Cheerview Limited	Hong Kong	HK$1	100	100	Food and beverage operation
Chest Gain Development Limited	Hong Kong	HK$10,000	100	100	Investment holding
Come On Investment Company Limited	Hong Kong	HK$10,000	100	100	Securities trading and investment

F-010

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

F-011

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

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2019	2018	Principal activities
Navigation Force Limited	British Virgin Islands	US$1	100	100	Aircraft ownership and leasing
New Blossom International Limited	British Virgin Islands	US$1	100	100	Investment holding
Rainbow Petal Limited	British Virgin Islands	US$1	100	100	Investment holding
Regal Concord Limited	Hong Kong	HK$1	100	100	Investment holding and financing
Regal Contracting Agency Limited	Hong Kong	HK$1	100	100	Contracting agency
Regal Estate Agents Limited	Hong Kong	HK$2	100	100	Estate agency
Regal Estate Management Limited	Hong Kong	HK$2	100	100	Estate management
Regal F&B Management Limited	Hong Kong	HK$1	100	100	Provision of management services for food and beverage operations
Regal F&B (ROH) Limited	Hong Kong	HK$1	100	100	Food and beverage operations
Regal F&B (RRH) Limited	Hong Kong	HK$1	100	100	Food and beverage operations
Regal Hotels (Holdings) Limited	Hong Kong	HK$1,151,598,638	100	100	Investment holding and management services
Regal Hotels Company Limited	Hong Kong	HK$2	100	100	Investment holding
Regal Hotels International Limited	Hong Kong	HK$100,000	100	100	Hotel management and investment holding
Regal Hotels Management (BVI) Limited	British Virgin Islands/ Mainland China	US$1	100	100	Investment holding and hotel management

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2019	2018	Principal activities
Regal International Limited	British Virgin Islands	US$20	100	100	Investment and trademark holding
Regal International (BVI) Holdings Limited	British Virgin Islands	HK$10.1	100	100	Investment holding
Regal Portfolio Management Limited	Hong Kong	HK$11,611,937	100	100	Asset management
RH International Finance Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Financing
R.H.I. Licensing B.V.	The Netherlands	NLG40,000	100	100	Trademark holding
Rich Capital Investment Limited	Hong Kong	HK$100	100	100	Property development
Solution Key Investments Limited	Hong Kong	HK$1	100	100	Property investment
Speedy Track Limited (3)	Hong Kong	HK$1	–	100	Property investment
Success Path Investments Limited	Hong Kong	HK$1	100	100	Property investment
Tenshine Limited	Hong Kong	HK$2	100	100	Securities trading and investment and financing
Total Wisdom Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Treasure Dealer Limited	Hong Kong	HK$1	100	100	Property investment
Treasure Wagon Company Limited	Hong Kong	HK$2	100	100	Operation of security storage lounge
Total Blessing Limited	British Virgin Islands	US$1	100	100	Investment holding

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

F-015

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

Notes:

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

(2) These companies are subsidiaries of Regal REIT.

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

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

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value. Aircraft held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impact on transition

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

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

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

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

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

Financial impact at 1st January, 2019

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

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31st December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(b) Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

(c) Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

(d) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties held for sale, deferred tax assets, financial assets, investment properties and aircraft held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

(e) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress and properties under construction, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Hotel buildings	Over the shorter of 40 years and the remaining lease terms
Leasehold properties	Over the shorter of 40 years and the remaining lease terms
Leasehold improvements	Over the shorter of the remaining lease terms and 10% to 20%
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	25%
Aircraft	Over the remaining lease terms

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

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

(f) Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018 - leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

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

(g) Non-current assets held for sale

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

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

(h) Investments and other financial assets

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

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

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

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

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

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

(i) Impairment of financial assets

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

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

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

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

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

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

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

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

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

(j) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(k) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest bearing loans and borrowings and payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

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

(l) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(m) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(n) Derivative financial instruments

Initial recognition and subsequent measurement
The Group purchased derivative financial instruments, such as foreign currency forward contracts and put options, for trading purpose. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs expected to be incurred to disposal.

(p) Properties held for sale

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value on an individual property basis. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices.

(q) Properties under development

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

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

(r) Revenue recognition

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

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

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

(i) Hotel operations and management services

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

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

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

(ii) Sale of properties/aircraft

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

(iii) Revenue from other operations

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

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

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

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

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

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

(s) Contract liabilities

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

(t) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(u) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

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

(i) Right-of-use assets

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

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

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

(ii) Lease liabilities

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

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

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

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

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

Group as a lessor

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

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

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

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

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(x) Employee benefits

Staff retirement schemes
The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the relevant central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(y) Related parties

A party is considered to be related to the Group if:

(i) the party is a person or a close member of that person's family and that person

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or of a parent of the Group;

or

(ii) the party is an entity where any of the following conditions applies:

(1) the entity and the Group are members of the same group;

(2) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(3) the entity and the Group are joint ventures of the same third party;

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) the entity is controlled or jointly controlled by a person identified in (i);

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

(z) Cash and cash equivalents

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

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

(aa) Borrowing costs

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

(ab) Dividends

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

Interim dividend is simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividend. Consequently, interim dividend is recognised immediately as a liability when it is proposed and declared.

(ac) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

(ad) Perpetual securities

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

(ae) Maintenance reserves

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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

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

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

Classification between investment properties and owner-occupied properties
The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Income taxes

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

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment properties

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

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31st December, 2019 was HK$1,052.1 million (2018 - HK$1,147.2 million). Further details, including the key assumptions used for fair value measurements are given in note 14 to the financial statements.

Deferred tax assets

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade debtors

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

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

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

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

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

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

Leases – Estimating the incremental borrowing rate

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

Depreciation of property, plant and equipment – aircraft

Aircraft are depreciated on the straight-line basis at rates which are calculated to write down the costs to their estimated residual values at the end of their operational lives. Certain estimates regarding the operational lives and residual values of the aircraft are made by the Group based on industry practice and internal technical valuation. The operational life and residual value are reviewed at least on an annual basis. The carrying amount of the Group's aircraft as at 31st December, 2019 was HK$388.6 million (2018 - HK$405.7 million).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

(a) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income;

(b) the asset management segment engages in the provision of asset management services to Regal REIT;

(c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;

(d) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;

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

(f) the others segment mainly comprises sale of food products, operation and management of restaurants, operation of security storage lounge, the provision of housekeeping and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that certain interest income, non-lease-related finance costs, head office and corporate gains and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, restricted cash, pledged time deposits and bank balances, time deposits, cash and bank balances, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest bearing bank borrowings, other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

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

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

F-047

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

F-048

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about major customer

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

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

F-050

Revenue from contracts with customers

(i) Disaggregated revenue information

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

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

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

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

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

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

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

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

(ii) Performance obligations

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

Hotel operations and management services

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

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

Sales of properties/aircraft

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

Sale of food products

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

Revenue from restaurant operation

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

Revenue from housekeeping services

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

Revenue from provision of estate management services

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

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

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

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

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

6. PROFIT BEFORE TAX

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

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

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

7. FINANCE COSTS

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

F-057

8. DIRECTORS' REMUNERATION

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

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

(a) Non-executive directors

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

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

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

There were no other emoluments payable to the non-executive directors during the year (2018 - Nil).

(b) Executive directors

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

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

Notes:

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

- Mr. Lo Yuk Sui also included (i) a fee of HK$0.05 million per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company; and (ii) a fee of HK$0.15 million per annum for serving as a non-executive director of Regal Portfolio Management Limited ("RPML") (the manager of Regal REIT).
- Miss Lo Po Man, Mr. Donald Fan Tung and Mr. Jimmy Lo Chun To also included a fee of HK$0.15 million per annum entitled by each of these Directors for serving as a non-executive director of RPML.
- Mr. Kenneth Ng Kwai Kai also included a fee of HK$0.15 million per annum for serving as a non-executive director of RPML and a fee of HK$0.1 million per annum for serving as a member of the audit committee of RPML.

9. SENIOR EXECUTIVES' EMOLUMENTS

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

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

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

10. INCOME TAX

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

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

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

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

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

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

11. DIVIDENDS

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

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

12. EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per ordinary share

The calculation of the basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK$454.6 million (2018 - HK$547.7 million), adjusted for the distribution related to perpetual securities of HK$114.5 million (2018 - HK$114.8 million), and on the weighted average of 898.8 million (2018 - 898.8 million) ordinary shares of the Company in issue during the year.

(b) Diluted earnings per ordinary share

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

13. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

14. INVESTMENT PROPERTIES

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

The Directors of the Company determined the Group's investment properties into different classes of asset based on the nature, characteristics and risks of each property. The Group's properties included in investment properties were revalued on 31st December, 2019 based on valuations performed by Savills Valuation and Professional Services Limited, CBRE Limited and Colliers International Spain, three independent professionally qualified valuers, at an aggregate valuation amount of HK$1,027.2 million. Each year, the Group's management selects the external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management also has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuations are performed for interim and annual financial reporting. Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

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

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

Fair value hierarchy

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

	Fair value measurement as at 31st December, 2019 using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Residential properties	–	–	745.0	745.0
Commercial properties	–	–	154.0	154.0
Hotel properties	–	–	128.2	128.2
Right-of-use assets	–	–	24.9	24.9
	–	–	1,052.1	1,052.1

	Fair value measurement as at 31st December, 2018 using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Residential properties	–	–	864.0	864.0
Commercial properties	–	–	156.0	156.0
Hotel properties	–	–	127.2	127.2
	–	–	1,147.2	1,147.2

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018 - Nil).

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

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

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

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

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

Under the discounted cash flow method for commercial and hotel properties, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

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

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross rental income less expenses. The series of periodic net rental income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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

15. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(a) The Group as a lessee

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

(i) Right-of-use assets

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

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

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

(ii) Lease liabilities

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

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

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

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

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

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

(b) The Group as a lessor

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

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

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

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

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

F-071

16. PROPERTIES UNDER DEVELOPMENT

Properties under development are analysed as follows:

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

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

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

17. INVESTMENTS IN JOINT VENTURES

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

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

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

Name	Place of incorporation and business	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2019	Percentage of equity interest attributable to the Group 2018	Principal activities
Faith Crown Holdings Limited ("Faith Crown")	British Virgin Islands	Ordinary shares of US$1 each	50	50	Investment holding
P&R Holdings Limited ("P&R Holdings")*	British Virgin Islands	Ordinary shares of US$1 each	50	50	Investment holding

The above investments are indirectly held by the Company.

* P&R Holdings is owned by the Group and a wholly owned subsidiary of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company, on a 50:50 basis and is the holding company of subsidiaries primarily involved in the property development projects for sale and/or leasing and the undertaking of related investment and financing activities, including Cosmopolitan International Holdings Limited ("Cosmopolitan"), a listed subsidiary of P&R Holdings.

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

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

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

	2019 HK$'million	2018 HK$'million
Faith Crown		
Non-current assets	**45.5**	45.5
Current liabilities	**(40.6)**	(40.6)
Net assets	**4.9**	4.9
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture and carrying amount of the investment	**2.4**	2.4

F-074

	2019 HK$'million	2018 HK$'million
P&R Holdings and its subsidiaries		
Non-current assets	**6,290.3**	6,302.9
Cash and cash equivalents	**813.6**	633.2
Other current assets	**9,778.8**	8,310.5
Current assets	**10,592.4**	8,943.7
Financial liabilities, excluding trade and other payables	**(969.5)**	(3,161.2)
Other current liabilities	**(1,928.5)**	(1,154.1)
Current liabilities	**(2,898.0)**	(4,315.3)
Non-current financial liabilities, excluding trade and other payables	**(10,595.7)**	(7,622.7)
Other non-current liabilities	**(614.3)**	(492.5)
Non-current liabilities	**(11,210.0)**	(8,115.2)
Net assets	**2,774.7**	2,816.1
Net assets attributable to equity holders of the parent	**2,535.3**	2,533.4
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture	**1,267.7**	1,266.7
Unrealised interest income eliminated	**(157.4)**	(167.9)
Unrealised fair value loss/(gain) eliminated	**0.8**	(6.6)
Loans to the joint venture	**2,725.6**	2,375.8
Amount due from the joint venture	**128.1**	69.5
Carrying amount of the investment	**3,964.8**	3,537.5
Revenue	**668.3**	3,278.7
Interest income	**74.1**	33.1
Depreciation	**(31.8)**	(9.3)
Interest expenses	**(413.4)**	(212.3)
Income tax	**(39.7)**	(117.0)
Profit for the year	**61.9**	374.5
Other comprehensive loss for the year	**(38.4)**	(116.2)
Total comprehensive income for the year	**23.5**	258.3

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

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

At the end of the reporting period, the Group's share of the P&R Holdings group's own capital commitments in respect of property development projects was as follows:

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

18. INVESTMENTS IN ASSOCIATES

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

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

Particulars of the Group's associates are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Group 2019	2018	Principal activities
8D International (BVI) Limited	British Virgin Islands	HK$1,000	30.0	30.0	Investment holding
8D Matrix Limited ("8D Matrix")	British Virgin Islands	HK$2,000,000	36.0[(1)]	36.0[(1)]	Investment holding
8D International Limited#	Hong Kong	HK$500,000	36.0[(1)]	36.0[(1)]	Advertising and promotion
Century Innovative Technology Limited#	Hong Kong	HK$1	36.0[(1)]	36.0[(1)]	Development and distribution of edutainment products
深圳市世紀創意科技有限公司#*	PRC/ Mainland China	RMB63,000,000	36.0[(1)]	36.0[(1)]	Development and distribution of edutainment products
Yieldtop Holdings Limited ("Yieldtop")	British Virgin Islands	US$100	50.0	50.0	Investment holding
Hang Fok Properties Limited^	British Virgin Islands	US$100	50.0	50.0	Investment holding

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

\# These are wholly owned subsidiaries of 8D Matrix.

^ This is a wholly owned subsidiary of Yieldtop.

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

The above associates are indirectly held by the Company.

8D Matrix is considered a material associate of the Group and is accounted for using the equity method. 8D Matrix and its subsidiaries are mainly engaged in the development and distribution of edutainment products, and advertising and promotion activities. Yieldtop is also considered a material associate for the year ended 31st December, 2019. Yieldtop and its subsidiaries are mainly engaged in investment holding activities.

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

	2019 HK$'million	2018 HK$'million
8D Matrix and its subsidiaries		
Non-current assets	**0.3**	0.7
Current assets	**17.1**	19.8
Current liabilities	**(2.1)**	(7.2)
Non-current liabilities	**(229.5)**	(229.5)
	(214.2)	(216.2)
Non-controlling interests	**(0.2)**	(0.2)
Net liabilities attributable to equity holders of the parent	**(214.4)**	(216.4)
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net liabilities of the associate	**(64.3)**	(64.9)
Amount due from the associate	**68.8**	68.8
Carrying amount of the investment	**4.5**	3.9
Revenue	**20.2**	22.8
Profit for the year	**2.1**	0.3
Other comprehensive loss for the year	**(0.2)**	(0.3)
Total comprehensive income for the year	**1.9**	–

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

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

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

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

20. OTHER LOANS

The other loans are analysed as follows:

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

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

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

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

21. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

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

Credit terms

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

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

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

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

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

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

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

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

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

As at 31st December, 2019

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

As at 31st December, 2018

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

22. PROPERTIES HELD FOR SALE

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

23. INVENTORIES

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

24. AIRCRAFT HELD FOR SALE

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

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

25. FINANCIAL ASSETS AT AMORTISED COST

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

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

26. RESTRICTED CASH

At 31st December, 2019, the Group had approximately HK$76.0 million (2018 - HK$68.5 million) of cash which was restricted as to use and mainly to be utilised for the purpose of servicing the finance costs and repayments on certain interest bearing bank borrowings, funding the furniture, fixtures and equipment reserve for use in the hotel buildings, and deposits of certain tenants in respect of certain investment properties.

27. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

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

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

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

28. CONTRACT LIABILITIES

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

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

29. INTEREST BEARING BANK BORROWINGS

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

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

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

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

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

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

On 29th November, 2018, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged another bilateral loan facility of up to HK$825.0 million, comprised of a term loan facility of HK$660.0 million and a revolving loan facility of up to HK$165.0 million (the "2018 FH Facilities"), secured by the iclub Fortress Hill Hotel. The 2018 FH Facilities have a term of five years to November 2023. As at 31st December, 2019, the outstanding amount of the 2018 FH Facilities was HK$660.0 million, representing the full amount of the term loan facility.

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

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

Bank borrowings under the 2016 IH Facilities, the 2018 RKH Facility, the 2014 WC Facility, the 2019 WC Facility, the 2018 SW Facilities, the 2018 FH Facilities and the 2017 MTW Facility are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

The Regal REIT group's interest bearing bank borrowings are also secured by, amongst others:

(i) legal charges and debentures over the corresponding properties;

(ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;

(iii) charges over each relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;

(iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and

(v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

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

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

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

30. OTHER BORROWING

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

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

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

On 20th July, 2016, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US$350.0 million at a coupon interest rate of 3.875% per annum. The notes were issued at a discount at 99.663% of the principal amount.

31. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

32. DEFERRED TAX

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

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

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

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

The Group has unrecognised tax losses arising in Hong Kong amounting to HK$3,109.5 million (2018 - HK$3,063.7 million) at the end of the reporting period. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets in respect of the above tax losses amounting to HK$513.1 million (2018 - HK$505.5 million) have not been recognised on account of the unpredictability of future profit streams.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1st January, 2008 and applies to earnings after 31st December, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1st January, 2008.

At 31st December, 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$323.7 million at 31st December, 2019 (2018 - HK$337.1 million).

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

33. SHARE CAPITAL AND SHARE PREMIUM

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

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

34. RESERVES

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

35. PERPETUAL SECURITIES

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

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

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

36. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

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

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

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

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

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalent balances

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

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

(b) Major non-cash transactions

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

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

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

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

(c) Changes in liabilities arising from financing activities

2019

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

2018

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

(d) Total cash outflow for leases

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

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

38. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

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

Notes:

(i) The management fees included rentals and other overheads allocated from a wholly owned subsidiary of CCIHL, either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, PHL, Cosmopolitan and the Company based on the distribution of job responsibilities and the estimated time spent by the relevant staff in serving each of the four groups.

F-095

(ii) The development consultancy fees were paid to a fellow subsidiary for various services provided, which include advisory, supervisory, architectural and design services in connection with property development projects and other renovation projects of the hotels operated by the Group. The fees were charged at agreed rates of the estimated cost of individual projects.

(iii) Fees were paid to certain fellow subsidiaries for the purchases and maintenance services of the security systems and products and other software installed in the Group's hotel properties. The fees were charged based on cost plus a margin depending on the nature and location of the work performed.

(iv) Fees were paid to a fellow subsidiary for providing repairs and maintenance and construction works for the Group's hotel properties. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.

(v) The advertising and promotion fees paid to an associate comprised a retainer fee determined by reference to the estimated volume of advertising and promotional activities of the Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.

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

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

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

(b) Outstanding balances with related parties:

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

Notes:

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

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

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

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

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

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

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

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

The related party transaction set out in note 38(a)(i) above also constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company, but is exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval in accordance with the Listing Rules ("Relevant Requirements") pursuant to rule 14A.98 of the Listing Rules.

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

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

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

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

The related party transactions set out in note 38(a)(vi) above were contemplated under transactions (the "Transactions") which constituted connected transactions to the Company subject to the Relevant Requirements. The Relevant Requirements with respect to the Transactions had been complied with.

Relevant disclosures and other requirements, including, inter alia, independent shareholders' approval (where required) in accordance with the Listing Rules with respect to the connected or continuing connected transactions during the prior year set out in note 38(a) had been made or met or otherwise exempted.

39. PLEDGE OF ASSETS

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

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

40. CONTINGENT LIABILITIES

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

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

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

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

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

41. COMMITMENTS

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

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

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

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

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

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

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

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

Financial liabilities

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

2018

Financial assets

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

Financial liabilities

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

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

Fair value hierarchy

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

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Financial assets at fair value through profit or loss:				
Listed equity investments	**1,280.4**	**–**	**–**	**1,280.4**
Listed debt investments	**–**	**1,175.3**	**–**	**1,175.3**
Unlisted equity investments	**–**	**–**	**173.0**	**173.0**
Unlisted fund investments	**–**	**–**	**582.8**	**582.8**
Derivative financial instruments	**–**	**3.1**	**–**	**3.1**
	1,280.4	**1,178.4**	**755.8**	**3,214.6**

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Financial assets at fair value through profit or loss:				
Listed equity investments	1,147.4	15.1	–	1,162.5
Listed debt investments	–	1,557.4	–	1,557.4
Unlisted equity investments	–	–	107.6	107.6
Unlisted fund investments	–	–	442.5	442.5
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	28.4	–	28.4
	1,147.4	1,602.8	550.1	3,300.3

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

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

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

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

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Derivative financial instruments	–	1.0	–	1.0

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018 - Nil).

Valuation techniques

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

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

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

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

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest bearing bank borrowings, other borrowings, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as financial assets at fair value through profit or loss, financial assets at amortised cost, other loans, which arise directly from its operations.

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

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with floating interest rates. The interest rates and terms of repayment of the Group's interest bearing bank borrowings are disclosed in note 29 to the financial statements. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

For Hong Kong dollar borrowings, assuming the amount of bank borrowings outstanding at the end of the reporting period was outstanding for the whole year, a 100 basis point increase in interest rates would have decreased the Group's profit before tax for the current year by HK$106.4 million (2018 - HK$105.7 million) and increased the finance cost capitalised by HK$18.6 million (2018 - HK$8.8 million). A 10 basis point decrease in interest rates would have increased the Group's profit before tax for the current year by HK$10.6 million (2018 - HK$10.6 million) and decreased the finance cost capitalised by HK$1.9 million (2018 - HK$0.9 million).

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

Credit risk

The Group only grants credit after making credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

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

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

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

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

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

Furth quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 21 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities and other borrowings. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group will raise funds from different sources, including through the financial market or realisation of its assets, if required.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

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

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

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed and unlisted equity investments classified as financial assets at fair value through profit or loss (note 19) at the end of the reporting period.

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

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

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and enhance shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Capital represents equity attributable to equity holders of the parent. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements except for the obligation under the lease guarantees given by the Company in connection with the leasing of certain hotel properties from Regal REIT and the undertakings under corporate guarantees given by the Company for banking facilities granted to certain subsidiaries and certain subsidiaries and an associate of a joint venture, to maintain a minimum consolidated tangible net worth, which has been complied with during the year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2019 and 31st December, 2018.

The Group monitors capital using a net debt to total assets ratio, which is net debt divided by the total assets. Net debt includes interest bearing bank borrowings and other borrowings less cash, bank balances and deposits. The net debt to total assets ratios as at the end of the reporting periods were as follows:

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

F-110

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

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

Note:

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

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

46. EVENT AFTER THE REPORTING PERIOD

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

47. COMPARATIVE AMOUNTS

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

48. APPROVAL OF THE FINANCIAL STATEMENTS

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

EY 安永

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

Opinion

We have audited the consolidated financial statements of Regal Hotels International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 189, which comprise the consolidated statement of financial position as at 31st December, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

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

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

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

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young
Certified Public Accountants

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

26th March, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2020

	Notes	2020 HK$'million	2019 HK$'million
REVENUE	5	**678.7**	2,226.2
Cost of sales		**(592.9)**	(1,210.5)
Gross profit		**85.8**	1,015.7
Other income and gains, net	5	**270.0**	268.7
Fair value gains on financial assets at fair value through profit or loss, net		**159.8**	300.0
Fair value losses on investment properties	14	**(72.9)**	(5.2)
Impairment loss on items of property, plant and equipment		**(90.1)**	–
Property selling and marketing expenses		**(14.0)**	(9.2)
Administrative expenses		**(173.1)**	(251.1)
OPERATING PROFIT BEFORE DEPRECIATION		**165.5**	1,318.9
Depreciation		**(522.5)**	(530.2)
OPERATING PROFIT/(LOSS)		**(357.0)**	788.7
Finance costs	7	**(290.1)**	(412.5)
Share of profits and losses of:			
Joint ventures		**(236.1)**	57.5
Associates		**(0.7)**	36.4
PROFIT/(LOSS) BEFORE TAX	6	**(883.9)**	470.1
Income tax	10	**(12.9)**	(10.5)
PROFIT/(LOSS) FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**(896.8)**	459.6
Attributable to:			
Equity holders of the parent		**(885.9)**	454.6
Non-controlling interests		**(10.9)**	5.0
		(896.8)	459.6
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**HK$(1.11)**	HK$0.38

F-118

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2020

	Note	2020 HK$'million	2019 HK$'million
PROFIT/(LOSS) FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**(896.8)**	459.6
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		**54.8**	(23.7)
Share of other comprehensive income/(loss) of:			
A joint venture		**47.9**	211.9
An associate		**0.1**	(0.1)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**102.8**	188.1
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of:			
A joint venture		**758.0**	–
Fair value loss on equity investments designated at fair value through other comprehensive income	17	**–**	(228.9)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**758.0**	(228.9)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**860.8**	(40.8)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(36.0)**	418.8
Attributable to:			
Equity holders of the parent		**(25.6)**	414.0
Non-controlling interests		**(10.4)**	4.8
		(36.0)	418.8

F-119

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2020

	Notes	2020 HK$'million	2019 HK$'million
NON-CURRENT ASSETS			
Property, plant and equipment	13	**8,596.5**	7,962.4
Investment properties	14	**900.6**	1,052.1
Right-of-use assets	15	**10,917.3**	11,197.7
Properties under development	16	**444.3**	443.2
Investments in joint ventures	17	**4,010.1**	3,967.2
Investments in associates	18	**11.3**	52.9
Financial assets at fair value through profit or loss	19	**743.6**	755.8
Other loan	20	**–**	1,062.0
Debtors and deposits	21	**77.3**	78.4
Deferred tax assets	30	**50.1**	47.5
Total non-current assets		**25,751.1**	26,619.2
CURRENT ASSETS			
Properties under development	16	**927.2**	868.7
Properties held for sale	22	**240.2**	237.7
Inventories	23	**25.2**	29.6
Debtors, deposits and prepayments	21	**282.1**	226.6
Financial assets at fair value through profit or loss	19	**1,941.1**	2,455.7
Other loans	20	**535.9**	390.8
Derivative financial instruments	29	**–**	3.1
Tax recoverable		**7.7**	4.5
Restricted cash	24	**88.5**	76.0
Pledged time deposits and bank balances		**311.3**	357.0
Time deposits		**81.9**	631.5
Cash and bank balances		**2,267.1**	801.6
Total current assets		**6,708.2**	6,082.8
CURRENT LIABILITIES			
Creditors, deposits received and accruals	25	**(274.7)**	(332.1)
Contract liabilities	26	**(53.6)**	(43.3)
Lease liabilities	15	**(12.0)**	(16.6)
Interest bearing bank borrowings	27	**(7,426.3)**	(1,747.0)
Other borrowing	28	**(2,707.0)**	–
Tax payable		**(27.3)**	(59.8)
Total current liabilities		**(10,500.9)**	(2,198.8)
NET CURRENT ASSETS/(LIABILITIES)		**(3,792.7)**	3,884.0
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,958.4**	30,503.2

	Notes	2020 HK$'million	2019 HK$'million
NON-CURRENT LIABILITIES			
Creditors and deposits received	25	**(104.5)**	(145.0)
Lease liabilities	15	**(15.8)**	(36.5)
Interest bearing bank borrowings	27	**(5,880.2)**	(11,309.5)
Other borrowing	28	**–**	(2,716.7)
Deferred tax liabilities	30	**(801.8)**	(839.7)
Total non-current liabilities		**(6,802.3)**	(15,047.4)
Net assets		**15,156.1**	15,455.8
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	31	**89.9**	89.9
Reserves	32	**12,716.3**	12,908.8
		12,806.2	12,998.7
Perpetual securities	33	**1,732.9**	1,732.9
Non-controlling interests		**617.0**	724.2
Total equity		**15,156.1**	15,455.8

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

F-121

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2020

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

F-122

	Attributable to equity holders of the parent											
	Issued capital HK$'m	Share premium account HK$'m	Capital redemption reserve HK$'m	Capital reserve HK$'m	Property revaluation reserve HK$'m	Fair value reserve HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Total HK$'m	Perpetual securities HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
At 1st January, 2020	89.9	404.7	17.7	231.3	8.1	–	(108.8)	12,355.8	12,998.7	1,732.9	724.2	15,455.8
Loss for the year	–	–	–	–	–	–	–	(885.9)	(885.9)	–	(10.9)	(896.8)
Other comprehensive income/(loss) for the year:												
Exchange differences on translating foreign operations	–	–	–	–	–	–	54.3	–	54.3	–	0.5	54.8
Share of other comprehensive income/(loss) of												
A joint venture	–	–	–	1,038.0	–	(280.0)	47.9	–	805.9	–	–	805.9
An associate	–	–	–	–	–	–	0.1	–	0.1	–	–	0.1
Total comprehensive income/(loss) for the year	–	–	–	1,038.0	–	(280.0)	102.3	(885.9)	(25.6)	–	(10.4)	(36.0)
Elimination of reciprocal interests	–	–	–	–	–	–	–	0.4	0.4	–	–	0.4
Final 2019 dividend declared	–	–	–	–	–	–	–	(53.9)	(53.9)	–	–	(53.9)
Distributions to non-controlling interests of a listed subsidiary	–	–	–	–	–	–	–	–	–	–	(96.0)	(96.0)
Distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(0.8)	(0.8)
Distribution to holders of perpetual securities	–	–	–	–	–	–	–	(113.4)	(113.4)	–	–	(113.4)
At 31st December, 2020	89.9	404.7	17.7	1,269.3	8.1	(280.0)	(6.5)	11,303.0	12,806.2	1,732.9	617.0	15,156.1

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2020

	Notes	2020 HK$'million	2019 HK$'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(883.9)**	470.1
Adjustments for:			
Finance costs	7	**290.1**	412.5
Share of losses/(profits) of joint ventures and associates		**236.8**	(93.9)
Interest income	5	**(208.9)**	(292.3)
Depreciation		**522.5**	530.2
Dividend income from listed investments	5	**(8.2)**	(16.4)
Dividend income from unlisted investments	5	**(40.7)**	(8.3)
Fair value gains on financial assets at fair value through profit or loss, net		**(159.8)**	(300.0)
Fair value losses on investment properties		**72.9**	5.2
Loss/(gain) on disposal of unlisted investments included in financial assets at fair value through profit or loss	5	**12.6**	(6.0)
Impairment loss on items of property, plant and equipment	6	**90.1**	–
Gain on disposal of an investment property	5	**–**	(9.0)
Impairment of trade debtors, net	6	**13.5**	3.5
Write-off of items of property, plant and equipment	6	**–**	0.6
Gain on lease modification	15	**(0.3)**	–
		(63.3)	696.2
Additions to properties under development		**(45.0)**	(413.0)
Decrease/(increase) in inventories		**4.4**	(1.8)
Increase in properties held for sale		**(2.5)**	(14.6)
Decrease in aircraft held for sale		**–**	5.9
Increase in debtors, deposits and prepayments		**(21.8)**	(6.9)
Decrease in financial assets at fair value through profit or loss		**1,299.9**	504.4
Decrease in creditors, deposits received and accruals		**(66.8)**	(73.8)
Increase in contract liabilities		**10.3**	0.8
Cash generated from operations		**1,115.2**	697.2
Interest received		**57.2**	101.4
Dividends received from listed investments		**8.2**	16.4
Hong Kong profits tax paid		**(89.1)**	(20.3)
Overseas taxes paid		**(1.8)**	(1.4)
Net cash flows from operating activities		**1,089.7**	793.3

For the year ended 31st December, 2020

	Note	2020 HK$'million	2019 HK$'million
Net cash flows from operating activities		**1,089.7**	793.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investment properties		**(2.0)**	(6.7)
Purchases of items of property, plant and equipment		**(845.6)**	(1,019.6)
Proceeds from disposal of an investment property		**80.9**	128.0
Proceeds from disposal of financial assets at fair value through profit or loss		**14.4**	12.0
Purchases of financial assets at fair value through profit or loss		**(36.1)**	(126.1)
Distribution from financial assets at fair value through profit or loss		**49.2**	–
Purchases of financial assets at amortised cost		**(93.0)**	(540.7)
Proceeds from redemption of financial assets at amortised cost		**93.0**	1,022.0
Advances to joint ventures		**(242.0)**	(971.0)
Repayment from a joint venture		**135.4**	655.2
Advances to associates		**–**	(0.3)
Repayment from an associate		**–**	36.9
Interest received		**151.0**	133.5
Dividends received from unlisted investments		**0.5**	8.3
Decrease/(increase) in other loans		**916.9**	(123.5)
Decrease/(increase) in pledged time deposits and bank balances		**45.7**	(333.1)
Decrease in restricted cash		**4.3**	1.1
Decrease/(increase) in time deposits with an original maturity of more than three months when acquired		**(11.2)**	10.0
Net cash flows from/(used in) investing activities		**261.4**	(1,114.0)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in other borrowing		**(3.0)**	–
Drawdown of new bank loans		**1,168.2**	2,708.4
Repayment of bank loans		**(942.9)**	(1,773.9)
Interest paid		**(379.8)**	(477.0)
Payment of loan and other costs		**(14.2)**	(16.6)
Principal portion of lease payments		**(15.6)**	(17.8)
Dividends paid		**(53.9)**	(166.1)
Dividends paid to non-controlling interests		**(96.0)**	(119.2)
Distribution to non-controlling interests		**(0.8)**	–
Distribution relating to perpetual securities		**(113.4)**	(114.7)
Increase in restricted cash		**(16.8)**	(8.6)
Net cash flows from/(used in) financing activities		**(468.2)**	14.5
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**882.9**	(306.2)
Cash and cash equivalents at beginning of year		**1,433.1**	1,772.3
Effect of foreign exchange rate changes, net		**21.8**	(33.0)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,337.8**	1,433.1
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalent as stated in the consolidated statement of financial position	35(a)	**2,349.0**	1,433.1
Non-pledged time deposit with an original maturity of more than three months when acquired	35(a)	**(11.2)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**2,337.8**	1,433.1

1. CORPORATE AND GROUP INFORMATION

Regal Hotels International Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in hotel operations and management, hotel ownership through its listed subsidiary, Regal Real Estate Investment Trust ("Regal REIT"), asset management of Regal REIT, property development and investment, aircraft ownership and leasing business, and other investments including financial assets investments.

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2020	2019	
Alpha Season Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Ascent Human Resources Holdings Limited	Hong Kong	HK$2	100	100	Provision of housekeeping services and investment holding
Ascent Property Services Limited	Hong Kong	HK$1	100	100	Provision of security and guarding services
Camomile Investments Limited	Hong Kong	HK$2	100	100	Property investment
Capital Charm Holdings Limited	Hong Kong	HK$1	100	100	Property development
Cheerview Limited	Hong Kong	HK$1	100	100	Food and beverage operation
Chest Gain Development Limited	Hong Kong	HK$10,000	100	100	Investment holding
Come On Investment Company Limited	Hong Kong	HK$10,000	100	100	Securities trading and investment

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2020	2019	Principal activities
Complete Success Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Eminent Idea Holdings Limited	Hong Kong	HK$1	100	100	Property investment
Eminent Result Limited	British Virgin Islands	US$1	100	100	Investment holding
Favour Link International Limited	Hong Kong	HK$1	100	100	Hotel operations
Favourite Stock Limited	British Virgin Islands	US$1	100	100	Securities investment
Forever Venus Limited	British Virgin Islands	US$1	100	100	Investment holding
Fortune Build Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Fortune Trove Limited	Hong Kong	HK$1	100	100	Property investment
Frequentspirit Investimentos Imobiliários Unipessoal Lda.	Portugal	EUR100	90	90	Property development
Full Season International Limited	British Virgin Islands	US$1	100	100	Investment holding
Gain Union Limited	Hong Kong	HK$1	100	100	Property development
Gallant Glory Limited	British Virgin Islands	US$1	100	100	Investment holding
Gaud Limited	Hong Kong	HK$2	100	100	Securities trading and investment
Gestiones E Inversiones Cosmoland, S.L.	Spain	EUR3,000	100	100	Hotel ownership
Golden Vessel Investments Limited	Hong Kong	HK$1	100	100	Property investment
Grand Pyramid Limited	Hong Kong	HK$1	100	100	Property investment
Great Prestige Investments Limited	British Virgin Islands	US$1	100	100	Investment holding

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2020	2019	Principal activities
Greatlead Investments Limited	Hong Kong	HK$1	100	100	Property investment
Harvest Charm Investment Limited	Hong Kong	HK$2	100	100	Financing
Hill Treasure Limited	British Virgin Islands	US$1	100	100	Aircraft ownership and leasing
Honormate Nominees Limited	Hong Kong	HK$2	100	100	Securities investment and nominee services
Honrich Investment Limited	Hong Kong	HK$2	100	100	Financing
Impressive Galaxy Limited	British Virgin Islands	US$1	100	100	Investment holding
Intellect Aquarius Limited	British Virgin Islands	US$1	100	100	Investment holding
Jubilee Ace Holdings Limited[(3)]	Hong Kong	HK$1	–	100	Property investment
Kaybro Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Long Profits Investments Limited	British Virgin Islands	US$1	100	100	Financing
Loraine Developments, S.L.	Spain	EUR3,000	100	100	Hotel ownership
Maximum Good Limited	Hong Kong	HK$1	100	100	Property investment
Metropolitan Central Kitchen Limited	Hong Kong	HK$1	100	100	Sale of food products
Metropolitan F&B Management Limited	Hong Kong	HK$1	100	100	Provision of management services for food and beverage operations
Million Sharp International Limited	Hong Kong	HK$1	100	100	Property investment
Ministerium Capital S.A.	Luxembourg	EUR32,000	100	100	Property investment

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2020	2019	Principal activities
Navigation Force Limited	British Virgin Islands	US$1	100	100	Aircraft ownership and leasing
New Blossom International Limited	British Virgin Islands	US$1	100	100	Investment holding
Rainbow Petal Limited	British Virgin Islands	US$1	100	100	Investment holding
Regal Concord Limited	Hong Kong	HK$1	100	100	Investment holding and financing
Regal Contracting Agency Limited	Hong Kong	HK$1	100	100	Contracting agency
Regal Estate Agents Limited	Hong Kong	HK$2	100	100	Estate agency
Regal Estate Management Limited	Hong Kong	HK$2	100	100	Estate management
Regal F&B Management Limited	Hong Kong	HK$1	100	100	Provision of management services for food and beverage operations
Regal F&B (ROH) Limited	Hong Kong	HK$1	100	100	Food and beverage operations
Regal F&B (RRH) Limited	Hong Kong	HK$1	100	100	Food and beverage operations
Regal Hotels (Holdings) Limited	Hong Kong	HK$1,151,598,638	100	100	Investment holding and management services
Regal Hotels Company Limited	Hong Kong	HK$2	100	100	Investment holding
Regal Hotels International Limited	Hong Kong	HK$100,000	100	100	Hotel management and investment holding
Regal Hotels Management (BVI) Limited	British Virgin Islands/ Mainland China	US$1	100	100	Investment holding and hotel management

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2020	2019	Principal activities
Regal International Limited	British Virgin Islands	US$20	100	100	Investment and trademark holding
Regal International (BVI) Holdings Limited	British Virgin Islands	HK$10.1	100	100	Investment holding
Regal Portfolio Management Limited	Hong Kong	HK$11,611,937	100	100	Asset management
RH International Finance Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Financing
R.H.I. Licensing B.V.	The Netherlands	NLG40,000	100	100	Trademark holding
Rich Capital Investment Limited	Hong Kong	HK$100	100	100	Property development
Solution Key Investments Limited	Hong Kong	HK$1	100	100	Property investment
Success Path Investments Limited	Hong Kong	HK$1	100	100	Property investment
Tenshine Limited	Hong Kong	HK$2	100	100	Securities trading and investment and financing
Time Crest Investments Limited	British Virgin Islands	US$1	100	–	Securities investment
Total Blessing Limited	British Virgin Islands	US$1	100	100	Investment holding
Total Wisdom Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Treasure Dealer Limited	Hong Kong	HK$1	100	100	Property investment
Treasure Wagon Company Limited	Hong Kong	HK$2	100	100	Operation of security storage lounge

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2020	2019	Principal activities
Triumphant Sky Investments Limited	British Virgin Islands	US$1	100	100	Aircraft ownership and leasing
Unicorn Star Limited	British Virgin Islands	US$1	100	100	Securities investment
Unique Sky Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Vast Charm International Limited	Hong Kong	HK$1	100	100	Property investment
Vivid Merit Limited	British Virgin Islands	US$1	100	100	Investment holding
Waterman House Investments Limited	England and Wales	GBP300	100	100	Property investment
Wealth Virtue Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Wealthy Path Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Wealthy Smart Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Well Mount Investments Limited	British Virgin Islands	US$1	100	–	Securities investment
Wing Bright Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
Will Smart Investments Limited	Hong Kong	HK$1	100	100	Property investment
Wise Ahead Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
廣州市富堡訂房服務有限公司(1)	The People's Republic of China ("PRC")/ Mainland China	RMB100,000	100	100	Room reservation services
富豪酒店投資管理 (上海) 有限公司(1)	PRC/ Mainland China	US$140,000	100	100	Hotel management
深圳市豪家匯企業諮詢有限公司(1)	PRC/ Mainland China	RMB1,000,000	100	100	Investment holding

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2020	2019	Principal activities
Regal Real Estate Investment Trust	Hong Kong	3,257,431,189 units	74.58	74.58	Property investment
Bauhinia Hotels Limited[2]	Hong Kong	HK$2	74.58	74.58	Hotel ownership
Cityability Limited[2]	Hong Kong	HK$10,000	74.58	74.58	Hotel ownership
Gala Hotels Limited[2]	Hong Kong	HK$2	74.58	74.58	Hotel ownership
Land Crown International Limited[2]	Hong Kong	HK$1	74.58	74.58	Hotel ownership
Regal Asset Holdings Limited[2]	Bermuda/ Hong Kong	US$12,000	74.58	74.58	Investment holding
Regal Riverside Hotel Limited[2]	Hong Kong	HK$2	74.58	74.58	Hotel ownership
Rich Day Investments Limited[2]	Hong Kong	HK$1	74.58	74.58	Financing
Ricobem Limited[2]	Hong Kong	HK$100,000	74.58	74.58	Hotel ownership
Sonnix Limited[2]	Hong Kong	HK$2	74.58	74.58	Property ownership and hotel operation
R-REIT International Finance Limited[2]	British Virgin Islands	US$1	74.58	74.58	Financing
Tristan Limited[2]	Hong Kong	HK$20	74.58	74.58	Hotel ownership
Wise Decade Investments Limited[2]	Hong Kong	HK$1	74.58	74.58	Hotel ownership

Notes:

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

(2) These companies are subsidiaries of Regal REIT.

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

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

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss 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 had a net loss attributable to owners of the parent of HK$885.9 million (2019 - net profit of HK$454.6 million) for the year ended 31st December, 2020 and net current liabilities of HK$3,792.7 million (2019 - net current assets of HK$3,884.0 million) and net assets of HK$15,156.1 million (2019 - HK$15,455.8 million) as at 31st December, 2020. The Group had total non-pledged time deposits, cash and bank balances of HK$2,349.0 million as at 31st December, 2020. The Group also had a positive net cash flows from operating activities of HK$1,089.7 million for the year ended 31st December, 2020.

Nevertheless, the financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31st December, 2020, after taking into consideration the following:

(i) the estimated cash flows of the Group for the next twelve months from the end of the reporting period;

(ii) the available unutilised banking facilities of the Group;

(iii) the refinancing plan for certain interest bearing bank borrowings that are secured by certain properties; and

(iv) borrowings refinanced after year end as disclosed in note 44 to the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1st January, 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform - Phase 2*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendment to HKFRS 16	*Covid-19 - Related Rent Concessions*[1]
HKFRS 17	*Insurance Contracts*[4]
Amendments to HKFRS 17	*Insurance Contracts*[4,7]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[4, 6]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[3]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[3]

1 Effective for annual periods beginning on or after 1st June, 2020
2 Effective for annual periods beginning on or after 1st January, 2021
3 Effective for annual periods beginning on or after 1st January, 2022
4 Effective for annual periods beginning on or after 1st January, 2023
5 No mandatory effective date yet determined but available for adoption
6 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
7 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1st January, 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1st January, 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1st January, 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate ("HIBOR") and the Euro Interbank Offered Rate as at 31st December, 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30th June, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1st June, 2020 with earlier application permitted and shall be applied retrospectively. The amendment is not expected to have any significant impact on the Group' s financial statements.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1st January, 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1st January, 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1st January, 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1st January, 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31st December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(b) Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

(c) Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

(d) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties held for sale, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

(e) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress and properties under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel buildings	Over the shorter of 40 years and the remaining lease terms
Leasehold properties	Over the shorter of 40 years and the remaining lease terms
Leasehold improvements	Over the shorter of the remaining lease terms and 10% to 20%
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	25%
Aircraft	Over the remaining lease terms

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

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

(f) Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

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

(g) Investments and other financial assets

Initial recognition and measurement

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

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

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

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

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

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

(h) Impairment of financial assets

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

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

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

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

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

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

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

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

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

(i) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(j) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest bearing loans and borrowings and payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

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

(k) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(l) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(m) Derivative financial instruments

Initial recognition and subsequent measurement

The Group purchased derivative financial instruments, such as foreign currency forward contracts and put options, for trading purpose. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs expected to be incurred to disposal.

(o) Properties held for sale

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value on an individual property basis. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices.

(p) Properties under development

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

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

(q) Revenue recognition

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

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

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

(i) Hotel operations and management services

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

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

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

(ii) Sale of properties/aircraft

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

(iii) Revenue from other operations

– Revenue from the sale of food products is recognised at the point in time when the control of the food products is transferred to the customers, generally on the delivery of the food products.

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

– Revenue from housekeeping services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

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

Revenue from other sources

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

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

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

Other income

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

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

(r) Contract liabilities

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

(s) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(t) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(u) Leases

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

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

(i) Right-of-use assets

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

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

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

(ii) Lease liabilities

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

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

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

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

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

Group as a lessor

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

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

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

(v) Employee benefits

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the relevant central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(w) Related parties

A party is considered to be related to the Group if:

(i) the party is a person or a close member of that person's family and that person

- (1) has control or joint control over the Group;
- (2) has significant influence over the Group; or
- (3) is a member of the key management personnel of the Group or of a parent of the Group;

or

(ii) the party is an entity where any of the following conditions applies:

- (1) the entity and the Group are members of the same group;
- (2) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (3) the entity and the Group are joint ventures of the same third party;
- (4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (6) the entity is controlled or jointly controlled by a person identified in (i);
- (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (8) the entity, or any member of a group which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(x) Cash and cash equivalents

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

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

(y) Borrowing costs

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

(z) Dividends

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

Interim dividend is simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividend. Consequently, interim dividend is recognised immediately as a liability when it is proposed and declared.

(aa) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

(ab) Perpetual securities

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

(ac) Maintenance reserves

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

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

(ad) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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

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

Classification between investment properties and owner-occupied properties
The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31st December, 2020 was HK$900.6 million (2019 - HK$1,052.1 million). Further details, including the key assumptions used for fair value measurements are given in note 14 to the financial statements.

Deferred tax assets
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the carryforward of unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets and related taxable profit projections are reviewed at the end of each reporting period. The carrying value of gross deferred tax assets relating to recognised tax losses at 31st December, 2020 was HK$56.8 million (2019 - HK$56.3 million). The amount of unrecognised deferred tax assets in respect of tax losses at 31st December, 2020 was HK$669.3 million (2019 - HK$513.1 million). Further details are contained in note 30 to the financial statements.

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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

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

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

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

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

Leases – Estimating the incremental borrowing rate

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

Depreciation of property, plant and equipment – aircraft

Aircraft are depreciated on the straight-line basis at rates which are calculated to write down the costs to their estimated residual values at the end of their operational lives. Certain estimates regarding the operational lives and residual values of the aircraft are made by the Group based on industry practice and internal technical valuation. The operational life and residual value are reviewed at least on an annual basis. The carrying amount of the Group's aircraft as at 31st December, 2020 was HK$345.1 million (2019 - HK$388.6 million).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

(a) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income;

(b) the asset management segment engages in the provision of asset management services to Regal REIT;

(c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;

(d) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;

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

(f) the others segment mainly comprises sale of food products, operation and management of restaurants, operation of security storage lounge, the provision of housekeeping and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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/(loss) 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 borrowing, 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 Group owns a fleet of 3 passenger aircraft comprising two Airbus A320-322 and one Airbus A319-133 with a net carrying amount of HK$345.1 million and average lease rental yield ranging from 8.6% to 8.9%.

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, 2020 and 2019:

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2020 HK$'m	2019 HK$'m	2020 HK$'m	2019 HK$'m	2020 HK$'m	2019 HK$'m	2020 HK$'m	2019 HK$'m	2020 HK$'m	2019 HK$'m	2020 HK$'m	2019 HK$'m	2020 HK$'m	2019 HK$'m	2020 HK$'m	2019 HK$'m
Segment revenue (Note 5)																
Sales to external customers	646.6	1,945.6	–	–	10.3	13.8	(37.8)	201.8	36.4	44.2	23.2	20.8	–	–	678.7	2,226.2
Intersegment sales	4.5	5.5	93.9	104.9	4.9	4.9	–	–	–	–	71.7	106.8	(175.0)	(222.1)	–	–
Total	**651.1**	**1,951.1**	**93.9**	**104.9**	**15.2**	**18.7**	**(37.8)**	**201.8**	**36.4**	**44.2**	**94.9**	**127.6**	**(175.0)**	**(222.1)**	**678.7**	**2,226.2**
Segment results before depreciation	(65.9)	662.0	(11.6)	(14.5)	118.5	187.7	149.3	517.0	(4.5)	33.9	7.6	(9.5)	–	–	193.4	1,376.6
Depreciation	(500.4)	(502.8)	(0.4)	(2.2)	(6.4)	(6.6)	–	–	(11.8)	(15.0)	(3.5)	(3.6)	–	–	(522.5)	(530.2)
Segment operating results	(566.3)	159.2	(12.0)	(16.7)	112.1	181.1	149.3	517.0	(16.3)	18.9	4.1	(13.1)	–	–	(329.1)	846.4
Unallocated interest income and unallocated non-operating and corporate gains															20.8	22.4
Unallocated non-operating and corporate expenses, net															(49.5)	(81.5)
Finance costs (other than interest on lease liabilities)															(289.3)	(411.1)
Share of profits and losses of:																
Joint ventures	–	–	–	–	(236.1)	57.5	–	–	–	–	–	–	–	–	(236.1)	57.5
Associates	–	–	–	–	(0.5)	35.7	–	–	–	–	(0.2)	0.7	–	–	(0.7)	36.4
Profit/(Loss) before tax															**(883.9)**	**470.1**
Income tax															**(12.9)**	**(10.5)**
Profit/(Loss) for the year before allocation between equity holders of the parent and non-controlling interests															**(896.8)**	**459.6**
Attributable to:																
Equity holders of the parent															**(885.9)**	**454.6**
Non-controlling interests															**(10.9)**	**5.0**
															(896.8)	**459.6**

F-163

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Segment assets	19,227.4	18,874.6	31.3	36.7	3,269.6	4,226.3	2,755.4	3,240.7	347.9	391.0	19.8	25.5	(32.2)	(40.7)	25,619.2	26,754.1
Investments in joint ventures	–	–	–	–	4,010.1	3,967.2	–	–	–	–	–	–	–	–	4,010.1	3,967.2
Investments in associates	–	–	–	–	4.6	46.1	–	–	–	–	6.7	6.8	–	–	11.3	52.9
Cash and unallocated assets															2,818.7	1,927.8
Total assets															32,459.3	32,702.0
Segment liabilities	(288.8)	(382.6)	(1.0)	(3.5)	(46.0)	(85.6)	(21.5)	(1.4)	(65.4)	(67.6)	(9.7)	(14.6)	32.2	40.7	(400.2)	(514.6)
Interest bearing bank borrowings and unallocated liabilities															(16,903.0)	(16,731.6)
Total liabilities															(17,303.2)	(17,246.2)
Other segment information:																
Interest income	–	–	–	–	(146.1)	(177.0)	(43.0)	(95.3)	–	–	–	–				
Reimbursement of lease payments in connection with undertaking provided by a joint venture	(57.1)	(28.3)	–	–	–	–	–	–	–	–	–	–				
Impairment of trade debtors, net	8.2	0.5	–	–	–	–	–	–	7.2	–	(1.9)	3.0				
Fair value gains on financial assets at fair value through profit or loss, net	–	–	–	–	–	–	(159.8)	(300.0)	–	–	–	–				
Fair value losses on investment properties	45.9	5.2	–	–	27.0	–	–	–	–	–	–	–				
Gain on disposal of an investment property	–	–	–	–	–	(9.0)	–	–	–	–	–	–				
Impairment loss on items of property, plant and equipment	60.1	–	–	–	–	–	–	–	30.0	–	–	–				
Capital expenditure	835.5	1,019.2	–	–	11.0	–	–	–	–	0.1	0.4	2.7				

F-164

Geographical information

(a) Revenue from external customers

	2020 HK$'million	2019 HK$'million
Hong Kong	**636.4**	2,156.5
Mainland China	**4.7**	10.2
Other	**37.6**	59.5
	678.7	2,226.2

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

	2020 HK$'million	2019 HK$'million
Hong Kong	**23,152.9**	21,954.9
Mainland China	**1,014.5**	1,955.1
Other	**712.7**	765.5
	24,880.1	24,675.5

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

Information about major customer

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

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2020 HK$'million	2019 HK$'million
Revenue		
Revenue from contracts with customers		
Hotel operations and management services	**585.3**	1,867.8
Sale of aircraft	**–**	5.9
Other operations	**27.3**	22.6
	612.6	1,896.3
Revenue from other sources		
Rental income:		
Hotel properties	**56.8**	57.0
Investment properties	**7.1**	27.1
Aircraft	**36.4**	38.3
Others	**2.7**	2.9
Gain/(loss) from sale of financial assets at fair value through profit or loss, net	**(87.9)**	95.7
Gain on settlement of derivative financial instruments	**0.5**	0.6
Interest income from financial assets at fair value through profit or loss	**41.4**	89.1
Dividend income from listed investments	**8.2**	16.4
Other operations	**0.9**	2.8
	678.7	2,226.2

Revenue from contracts with customers

(i) Disaggregated revenue information

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

	For the year ended 31st December, 2020			
Segments	Hotel operation and management and hotel ownership	Property development and investment	Others	Total
	HK$'million	HK$'million	HK$'million	HK$'million
Types of goods or services				
Hotel operations and management services				
Hotel operations	580.0	–	–	580.0
Management services	5.3	–	–	5.3
Other operations	–	5.0	22.3	27.3
Total revenue from contracts with customers	585.3	5.0	22.3	612.6
Geographical markets				
Hong Kong	580.6	5.0	22.3	607.9
Mainland China	4.7	–	–	4.7
Total revenue from contracts with customers	585.3	5.0	22.3	612.6
Timing of revenue recognition				
At a point in time	169.3	–	0.8	170.1
Over time	416.0	5.0	21.5	442.5
Total revenue from contracts with customers	585.3	5.0	22.3	612.6

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

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

	For the year ended 31st December, 2020			
Segments	Hotel operation and management and hotel ownership	Property development and investment	Others	Total
	HK$'million	HK$'million	HK$'million	HK$'million
Revenue from contracts with customers				
External customers	585.3	5.0	22.3	612.6
Intersegment sales	–	–	71.7	71.7
	585.3	5.0	94.0	684.3
Intersegment adjustments and eliminations	–	–	(71.7)	(71.7)
Total revenue from contracts with customers	585.3	5.0	22.3	612.6

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

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

	2020 HK$'million	2019 HK$'million
Hotel operations and management services	**43.3**	42.6

(ii) Performance obligations

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

Hotel operations and management services

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

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

Sales of properties/aircraft

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

Sale of food products

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

Revenue from restaurant operation

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

Revenue from housekeeping services

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

Revenue from provision of estate management services

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

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

	2020 HK$'million	2019 HK$'million
Within one year	**53.6**	43.3

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

	2020 HK$'million	2019 HK$'million
Other income and gains, net		
Bank interest income	**19.5**	19.8
Other interest income	**148.0**	183.4
Gain on disposal of an investment property	**–**	9.0
Gain/(Loss) on disposal of unlisted investments included in financial assets at fair value through profit or loss	**(12.6)**	6.0
Dividend income from unlisted investments	**40.7**	8.3
Reimbursement of lease payments in connection with undertaking provided by a joint venture	**57.1**	28.3
Others	**17.3**	13.9
	270.0	268.7

F-171

6. PROFIT/(LOSS) BEFORE TAX

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

	2020 HK$'million	2019 HK$'million
Cost of inventories sold and services provided	**592.9**	931.6
Depreciation of property, plant and equipment	**289.0**	294.9
Depreciation of right-of-use assets	**233.5**	235.3
Foreign exchange differences, net	**(23.4)**	(6.2)
Impairment of trade debtors, net	**13.5**	3.5
Impairment loss on items of property, plant and equipment**	**90.1**	–
Write-off of items of property, plant and equipment	**–**	0.6
Employee benefit expense# (exclusive of directors' remuneration disclosed in note 8):		
Salaries, wages and allowances	**312.6**	694.3
Staff retirement scheme contributions	**19.8**	30.7
Less: Forfeited contributions	**(2.9)**	(1.3)
Net staff retirement scheme contributions	**16.9**	29.4
	329.5	723.7
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
– mandatorily classified as such, including those held for trading	**(162.9)**	(324.3)
– derivative instruments – transactions not qualifying as hedges	**3.1**	24.3
	(159.8)	(300.0)
Lease payment not included in the measurement of lease liabilities	**2.0**	0.2
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**3.0**	2.5
Auditor's remuneration	**7.0**	7.6
Government subsidies* (included in cost of sales and administrative expenses)	**(98.9)**	–

Inclusive of an amount of HK$260.5 million (2019 - HK$610.3 million) classified under cost of inventories sold and services provided.

* The Government subsidies were granted under the Anti-epidemic Fund during the year. There are no unfulfiled conditions relating to these grants.

** Inclusive of impairment loss of right-of-use assets amounted to HK$46.9 million (note 15).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 HK$'million	2019 HK$'million
Interest on bank loans	**263.6**	365.5
Interest on other borrowings	**107.1**	108.2
Interest on lease liabilities	**0.9**	1.4
Amortisation of debt establishment costs	**32.5**	31.3
Total interest expenses on financial liabilities not at fair value through profit or loss	**404.1**	506.4
Other loan costs	**8.5**	10.2
	412.6	516.6
Less: Finance costs capitalised	**(122.5)**	(104.1)
	290.1	412.5

8. DIRECTORS' REMUNERATION

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

	2020 HK$'million	2019 HK$'million
Fees	**3.6**	3.6
Other emoluments:		
Salaries, allowances and benefits in kind	**21.2**	21.7
Performance related/discretionary bonuses	**–**	1.8
Staff retirement scheme contributions	**1.4**	1.5
	26.2	28.6

(a) Non-executive directors

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

	2020 HK$'million	2019 HK$'million
Non-executive director:		
Dr. Francis Choi Chee Ming, GBS, JP	**0.25**	0.25
Independent non-executive directors:		
Ms. Alice Kan Lai Kuen	**0.35**	0.35
Professor Japhet Sebastian Law	**0.25**	0.25
Ms. Winnie Ng, JP	**0.35**	0.35
Mr. Wong Chi Keung	**0.40**	0.40
	1.60	1.60

– For the year ended 31st December, 2020, Directors' fees entitled by the non-executive director and the independent non-executive directors of the Company also included a fee for serving as a member of each of the Audit Committee (HK$0.15 million per annum and HK$0.1 million per annum as its chairman and a member, respectively), the Nomination Committee (HK$0.05 million per annum) and the Remuneration Committee (HK$0.05 million per annum) of the Company, where applicable, amounting to HK$1.60 million (2019 - HK$1.60 million, which also included fees for serving as members of the Board Committees).

There were no other emoluments payable to the non-executive director and independent non-executive directors during the year (2019 - Nil).

(b) Executive directors

	Fees HK$'million (Notes)	Salaries, allowances and benefits in kind HK$'million	Performance related/ discretionary bonuses HK$'million	Staff retirement scheme contributions HK$'million	Total remuneration HK$'million
2020					
Mr. Lo Yuk Sui	0.40	8.54	–	0.48	9.42
Miss Lo Po Man	0.30	4.06	–	0.16	4.52
Ms. Belinda Yeung Bik Yiu	0.15	2.65	–	0.27	3.07
Mr. Donald Fan Tung	0.30	1.05	–	0.10	1.45
Mr. Jimmy Lo Chun To	0.30	2.08	–	0.10	2.48
Mr. Kenneth Ng Kwai Kai	0.40	1.70	–	0.16	2.26
Mr. Allen Wan Tze Wai	0.15	1.13	–	0.11	1.39
	2.00	21.21	–	1.38	24.59
2019					
Mr. Lo Yuk Sui	0.40	9.12	0.63	0.54	10.69
Miss Lo Po Man	0.30	4.26	0.21	0.19	4.96
Ms. Belinda Yeung Bik Yiu	0.15	2.94	0.37	0.29	3.75
Mr. Donald Fan Tung	0.30	1.16	0.14	0.12	1.72
Mr. Jimmy Lo Chun To	0.30	1.10	0.06	0.06	1.52
Mr. Kenneth Ng Kwai Kai	0.40	1.88	0.22	0.16	2.66
Mr. Allen Wan Tze Wai	0.15	1.24	0.14	0.12	1.65
	2.00	21.70	1.77	1.48	26.95

Notes:

For the years ended 31st December, 2020 and 2019, the fees entitled by:

– Mr. Lo Yuk Sui also included (i) a fee of HK$0.05 million per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company; and (ii) a fee of HK$0.15 million per annum for serving as a non-executive director of Regal Portfolio Management Limited ("RPML") (the manager of Regal REIT).

– Miss Lo Po Man, Mr. Donald Fan Tung and Mr. Jimmy Lo Chun To also included a fee of HK$0.15 million per annum entitled by each of these Directors for serving as a non-executive director of RPML.

– Mr. Kenneth Ng Kwai Kai also included a fee of HK$0.15 million per annum for serving as a non-executive director of RPML and a fee of HK$0.1 million per annum for serving as a member of the audit committee of RPML.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2019 - Nil).

9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals during the year included five (2019 - four) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. Details of the remuneration for the remaining one highest paid individual in the prior year, who was not a Director, are as follows:

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

In the prior year, the emoluments of the remaining one highest paid individual fell within the band of HK$2,000,001 to HK$2,500,000.

10. INCOME TAX

	2020 HK$'million	2019 HK$'million
Current – Hong Kong		
Charge for the year	**53.5**	57.9
Overprovision in prior years	**(0.2)**	(0.3)
Current – Overseas		
Charge for the year	**1.2**	0.9
Underpovision in prior years	**0.5**	0.2
Deferred (note 31)	**(42.1)**	(48.2)
Total tax charge for the year	**12.9**	10.5

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2019 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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

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

	2020 HK$'million	2019 HK$'million
Profit/(loss) before tax	**(883.9)**	470.1
Tax at the Hong Kong statutory tax rate of 16.5% (2019 - 16.5%)	**(145.8)**	77.6
Adjustments in respect of current tax of previous years	**0.3**	(0.1)
Profits and losses attributable to joint ventures and associates	**39.1**	(15.5)
Higher tax rates of other jurisdictions	**0.7**	0.4
Income not subject to tax	**(87.6)**	(119.2)
Expenses not deductible for tax	**55.5**	29.2
Tax losses utilised from previous years	**(14.5)**	(14.3)
Tax losses not recognised during the year	**167.1**	54.0
Others	**(1.9)**	(1.6)
Tax charge at the Group's effective rate	**12.9**	10.5

The share of tax charge attributable to a joint venture amounting to HK$5.4 million (2019 - HK$19.8 million) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2020 HK$'million	2019 HK$'million
Interim - Nil (2019 - HK4.5 cents per ordinary share)	–	40.4
Proposed final - Nil (2019 - HK6.0 cents per ordinary share)	–	53.9
	–	94.3

The board of directors of the Company does not recommend the payment of any dividend for the year ended 31st December, 2020.

12. EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings/(loss) per ordinary share

The calculation of the basic earnings/(loss) per ordinary share is based on the loss for the year attributable to equity holders of the parent of HK$885.9 million (2019 - profit of HK$454.6 million), adjusted for the distribution related to perpetual securities of HK$113.4 million (2019 - HK$114.5 million), and on the weighted average of 898.8 million (2019 - 898.8 million) ordinary shares of the Company in issue during the year.

(b) Diluted earnings/(loss) per ordinary share

No adjustment was made to the basic earnings/(loss) per ordinary share for the years ended 31st December, 2020 and 2019 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings HK$'million	Leasehold properties HK$'million	Property under construction HK$'million	Leasehold improvements HK$'million	Furniture, fixtures and equipment HK$'million	Motor vehicles HK$'million	Aircraft HK$'million	Construction in progress HK$'million	Total HK$'million
31st December, 2020									
At 31st December, 2019 and 1st January, 2020:									
Cost	5,266.6	51.6	3,527.4	539.3	412.7	5.1	418.9	33.8	10,255.4
Accumulated depreciation	(1,638.2)	(7.6)	–	(306.5)	(307.0)	(3.4)	(30.3)	–	(2,293.0)
Net carrying amount	3,628.4	44.0	3,527.4	232.8	105.7	1.7	388.6	33.8	7,962.4
At 1st January, 2020, net of accumulated depreciation	3,628.4	44.0	3,527.4	232.8	105.7	1.7	388.6	33.8	7,962.4
Reclassification	–	–	–	29.4	–	–	–	(29.4)	–
Additions	–	–	917.0	11.1	18.9	–	–	11.2	958.2
Depreciation provided during the year	(188.2)	(1.6)	–	(48.5)	(38.1)	(0.8)	(11.8)	–	(289.0)
Impairment	(13.2)	–	–	–	–	–	(30.0)	–	(43.2)
Exchange realignment	–	–	9.8	–	–	–	(1.7)	–	8.1
At 31st December, 2020, net of accumulated depreciation and impairment	3,427.0	42.4	4,454.2	224.8	86.5	0.9	345.1	15.6	8,596.5
At 31st December, 2020:									
Cost	5,266.6	51.6	4,454.2	579.8	431.6	5.1	417.1	15.6	11,221.6
Accumulated depreciation and impairment	(1,839.6)	(9.2)	–	(355.0)	(345.1)	(4.2)	(72.0)	–	(2,625.1)
Net carrying amount	3,427.0	42.4	4,454.2	224.8	86.5	0.9	345.1	15.6	8,596.5

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

At 31st December, 2020, the Group's property, plant and equipment and right-of-use assets with net carrying amounts of HK$7,980.4 million (2019 - HK$7,299.0 million) and HK$10,902.6 million (2019 - HK$11,168.6 million) (note 15), respectively, were pledged to secure banking facilities granted to the Group.

As at 31st December, 2020, the Group's hotel properties under hotel operation included in the hotel buildings and other categories of property, plant and equipment had carrying amounts (before impairment) of HK$3,440.2 million (2019 - HK$3,628.4 million) and HK$298.2 million (2019 - HK$321.5 million), respectively. The leasehold land of hotel properties is recognised as right-of-use assets with carrying amount (before impairment) of HK$10,839.3 million (2019 - HK$11,054.3 million), details of which are set out in note 15 to the financial statements.

Due to the stringent travel restrictions under the COVID-19 pandemic which has impacted the Group's hotel operations, the recoverable amounts of certain hotel properties of HK$1,268.0 million were less than the carrying amounts of HK$373.3 million and HK$954.8 million included in hotel buildings and right-of-use assets, respectively, as of 31st December, 2020. Accordingly, impairment losses of HK$13.2 million and HK$46.9 million in relation to hotel buildings and right-of-use assets of these hotel properties, respectively, was recognised in the consolidated statement of profit or loss during the year ended 31st December, 2020. The recoverable amount is estimated based on the fair value less costs of disposal using discounted cash flow projections, which is estimated based on valuation techniques with significant unobservable inputs and assumptions of market conditions, and based on the valuation conducted by an independent professional qualified valuer. The discount rates adopted in the cash flow projections ranged from 6.0% to 6.25% with an external long-term growth rate of 3%. The fair value measurement of the hotel properties falls within Level 3 of the fair value measurement hierarchy.

As at 31st December, 2020, the Group's carrying amount (before impairment) of aircraft amounted to HK$375.1 million (2019 - HK$388.6 million). Given the air passenger traffic was affected globally during the COVID-19 pandemic, with the assistance of an independent professional valuer, management determines the recoverable amount of the aircraft, which is estimated based on the fair value less cost of disposal. Direct comparison method was used to assess the market value of aircraft. As the recoverable amount of one of the aircraft amounted to HK$79.5 million, which was less than its carrying amount of HK$109.5 million, accordingly, an impairment of HK$30.0 million was recognised in the consolidated statement of profit or loss during the year ended 31st December, 2020. The fair value measurement of the aircraft falls within Level 2 of the fair value measurement hierarchy.

14. INVESTMENT PROPERTIES

	2020 HK$'million	2019 HK$'million
Carrying amount at 1st January	**1,052.1**	1,155.5
Capital expenditure for the year	**2.0**	6.7
Lease modification	**(11.5)**	17.5
Disposal	**(81.0)**	(119.0)
Loss from fair value adjustments	**(72.9)**	(5.2)
Exchange realignment	**11.9**	(3.4)
Carrying amount at 31st December	**900.6**	1,052.1

The Directors of the Company determined the Group's investment properties into different classes of asset based on the nature, characteristics and risks of each property. The Group's properties included in investment properties were revalued on 31st December, 2020 based on valuations performed by Savills Valuation and Professional Services Limited, CBRE Limited and Colliers International Spain, three independent professionally qualified valuers, at an aggregate valuation amount of HK$890.5 million. Each year, the Group's management selects the external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management also has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuations are performed for interim and annual financial reporting. Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

At 31st December, 2020, the Group's investment properties with a carrying value of HK$776.0 million (2019 - HK$899.0 million) were pledged to secure banking facilities granted to the Group.

Further particulars of the Group's investment properties are included on pages 196 to 198.

Fair value hierarchy

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

	Fair value measurement as at 31st December, 2020 using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Residential properties	–	–	639.0	639.0
Commercial properties	–	–	137.0	137.0
Hotel properties	–	–	114.5	114.5
Right-of-use assets	–	–	10.1	10.1
	–	–	900.6	900.6

	Fair value measurement as at 31st December, 2019 using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Residential properties	–	–	745.0	745.0
Commercial properties	–	–	154.0	154.0
Hotel properties	–	–	128.2	128.2
Right-of-use assets	–	–	24.9	24.9
	–	–	1,052.1	1,052.1

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019 - Nil).

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

	Residential properties HK$'million	Commercial properties HK$'million	Hotel properties HK$'million	Right-of-use assets HK$'million
Carrying amount at 1st January, 2019	864.0	156.0	127.2	8.3
Capital expenditure for the year	–	–	6.7	–
Lease modification	–	–	–	17.5
Disposal	(119.0)	–	–	–
Loss from fair value adjustments	–	(2.0)	(2.5)	(0.7)
Exchange realignment	–	–	(3.2)	(0.2)
Carrying amount at 31st December, 2019 and 1st January, 2020	745.0	154.0	128.2	24.9
Capital expenditure for the year	2.0	–	–	–
Lease modification	–	–	–	(11.5)
Disposal	(81.0)	–	–	–
Loss from fair value adjustments	(27.0)	(17.0)	(23.7)	(5.2)
Exchange realignment	–	–	10.0	1.9
Carrying amount at 31st December, 2020	639.0	137.0	114.5	10.1

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

	Valuation techniques	Significant unobservable inputs	Range 2020	Range 2019
Residential properties	Sales comparison approach	Estimated market price per square foot	HK$22,878 to HK$32,195	HK$23,873 to HK$33,315
Commercial properties	Discounted cash flow method	Capitalisation rate	3.00%	3.00%
		Discount rate	6.00%	6.00%
		Estimated rental value per square metre per month	HK$554 to HK$674	HK$579 to HK$782
Hotel properties	Discounted cash flow method	Capitalisation rate	6.50%	7.75%
		Discount rate	7.4% to 8.3%	9.25%
		Estimated rental value per square metre per month	Euro 2.39 to Euro 5.98	Euro 6.26 to Euro 6.48
Right-of-use assets	Discounted cash flow method	Discount rate	0.04%	0.44%
		Estimated rental value per month (approximately)	Euro 22,143	Euro 21,859 to Euro 22,143

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

Under the discounted cash flow method for commercial and hotel properties, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

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

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross rental income less expenses. The series of periodic net rental income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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

15. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(a) The Group as a lessee

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

(i) Right-of-use assets

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

	Leasehold land HK$'million	Leased properties HK$'million	Other equipment HK$'million	Total HK$'million
As at 1st January, 2019	11,387.7	33.4	0.7	11,421.8
Additions/modification	–	11.2	–	11.2
Depreciation charge	(219.1)	(15.9)	(0.3)	(235.3)
As at 31st December, 2019 and 1st January, 2020	11,168.6	28.7	0.4	11,197.7
Impairment	(46.9)	–	–	(46.9)
Depreciation charge	(219.1)	(14.1)	(0.3)	(233.5)
As at 31st December, 2020	10,902.6	14.6	0.1	10,917.3

At 31st December, 2020 and 2019, the Group's leasehold land was pledged to secure banking facilities granted to the Group.

Details of the recoverable amount and impairment loss of leasehold land of certain hotel properties are set out in note 13 to the financial statements.

(ii) Lease liabilities

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

	2020 HK$'million	2019 HK$'million
Carrying amount at 1st January	**53.1**	42.4
New leases/modification	**(11.8)**	28.7
Interest expenses	**0.9**	1.4
Payments	**(16.5)**	(19.2)
Exchange realignment	**2.1**	(0.2)
Carrying amount at 31st December	**27.8**	53.1
Analysed into:		
Current portion	**12.0**	16.6
Non-current portion	**15.8**	36.5

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

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

	2020 HK$'million	2019 HK$'million
Interest on lease liabilities	**0.9**	1.4
Depreciation charge of right-of-use assets	**233.5**	235.3
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31st December, 2019 (included in cost of sales and administrative expenses)	**2.0**	0.2
Gain on lease modification	**(0.3)**	–
Impairment loss on right-of-use assets	**46.9**	–
Total amount recognised in profit or loss	**283.0**	236.9

(iv) The total cash outflow for leases is disclosed in note 35(d) to the financial statements.

(b) The Group as a lessor

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

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

Rental income recognised by the Group during the year was HK$103.0 million (2019 - HK$125.3 million), details of which are included in note 5 to the financial statements.

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

	2020 HK$'million	2019 HK$'million
Within one year	**64.7**	97.3
After one year but within two years	**42.1**	58.5
After two years but within three years	**30.0**	40.5
After three years but within four years	**5.8**	32.1
After four years but within five years	**–**	5.0
	142.6	233.4

F-187

16. PROPERTIES UNDER DEVELOPMENT

Properties under development are analysed as follows:

	2020 HK$'million	2019 HK$'million
Balance at 1st January	**1,311.9**	897.9
Additions	**54.2**	414.0
Exchange realignment	**5.4**	–
Balance at 31st December	**1,371.5**	1,311.9
Portion included in current assets	**(927.2)**	(868.7)
Non-current portion	**444.3**	443.2

	2020 HK$'million	2019 HK$'million
Properties under development included under current assets expected to be completed within normal operating cycle and recovered:		
After one year	**927.2**	868.7

At 31st December, 2020, the Group's properties under development with carrying amount of HK$927.2 million (2019 - HK$810.0 million) were pledged to secure banking facilities granted to the Group.

F-188

17. INVESTMENTS IN JOINT VENTURES

	2020 HK$'million	2019 HK$'million
Share of net assets	**1,176.7**	1,270.1
Unrealised income and gain eliminated	**(147.9)**	(156.6)
Loans to a joint venture	**2,832.2**	2,725.6
Amount due from a joint venture	**149.1**	128.1
	4,010.1	3,967.2

The loans to a joint venture are unsecured, interest-free and repayable on demand except for (i) an amount of HK$662.6 million (2019 - HK$662.6 million) which is interest bearing at 4% per annum and (ii) an amount of HK$1,550.0 million (2019 - HK$1,550.0 million) which is interest bearing at 5% per annum (2019 - 5% to 5.125% per annum). In the opinion of the Directors, these loans are considered as part of the Group's net investments in the joint ventures. There was no recent history of default and past due amounts for an amount due from a joint venture. As at 31st December, 2020 and 2019, the loss allowance was assessed to be minimal.

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

Name	Place of incorporation and business	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2020	2019	Principal activities
Faith Crown Holdings Limited ("Faith Crown")	British Virgin Islands	Ordinary shares of US$1 each	50	50	Investment holding
P&R Holdings Limited ("P&R Holdings")*	British Virgin Islands	Ordinary shares of US$1 each	50	50	Investment holding

The above investments are indirectly held by the Company.

* P&R Holdings is owned by the Group and a wholly owned subsidiary of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company, on a 50:50 basis and is the holding company of subsidiaries primarily involved in the property development projects for sale and/or leasing and the undertaking of related investment and financing activities, including Cosmopolitan International Holdings Limited ("Cosmopolitan"), a listed subsidiary of P&R Holdings.

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

During the year ended 31st December, 2020, the Group received 533,333,332 ordinary shares of Cosmopolitan with a fair value of HK$650.7 million from P&R Holdings as a dividend. The Group has accounted for the equity investment as a financial asset at fair value through profit or loss.

During the year ended 31st December, 2019, the Group received dividend distribution from P&R Holdings amounted to HK$262.5 million settled through certain equity shares of a listed company (the "Listed Shares"). The Group designated the Listed Shares as financial asset at fair value through other comprehensive income. In the same year, the Group transferred the Listed Shares to P&R Holdings at market value with a corresponding increase in loans to a joint venture. The market value of the Listed Shares at the time of transfer amounted to HK$33.6 million and accordingly, the Group recognised a fair value loss on an equity investment at fair value through other comprehensive income of HK$228.9 million in the prior year.

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

	2020 HK$'million	2019 HK$'million
Faith Crown		
Non-current assets	**45.5**	45.5
Current liabilities	**(40.6)**	(40.6)
Net assets	**4.9**	4.9
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture and carrying amount of the investment	**2.4**	2.4

F-190

	2020 HK$'million	2019 HK$'million
P&R Holdings and its subsidiaries		
Non-current assets	**6,232.6**	6,290.3
Cash and cash equivalents	**320.5**	813.6
Other current assets	**10,957.4**	9,778.8
Current assets	**11,277.9**	10,592.4
Financial liabilities, excluding trade and other payables	**(3,887.3)**	(969.5)
Other current liabilities	**(3,477.7)**	(1,928.5)
Current liabilities	**(7,365.0)**	(2,898.0)
Non-current financial liabilities, excluding trade and other payables	**(6,839.5)**	(10,595.7)
Other non-current liabilities	**(350.4)**	(614.3)
Non-current liabilities	**(7,189.9)**	(11,210.0)
Net assets	**2,955.6**	2,774.7
Net assets attributable to equity holders of the parent	**2,348.5**	2,535.3
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture	**1,174.3**	1,267.7
Unrealised interest income eliminated	**(161.7)**	(157.4)
Unrealised fair value loss eliminated	**13.8**	0.8
Loans to the joint venture	**2,832.2**	2,725.6
Amount due from the joint venture	**149.1**	128.1
Carrying amount of the investment	**4,007.7**	3,964.8
Revenue	**769.1**	668.3
Interest income	**32.6**	74.1
Depreciation	**(40.1)**	(31.8)
Interest expenses	**(330.1)**	(413.4)
Income tax	**(10.8)**	(39.7)
Profit/(loss) for the year	**(531.9)**	61.9
Other comprehensive income/(loss) for the year	**153.5**	(38.4)
Total comprehensive income/(loss) for the year	**(378.4)**	23.5

At 31st December, 2020, the Group's share of maximum capital commitment as agreed for P&R Holdings in respect of its property development projects amounted to HK$3,700.0 million (2019 - HK$3,700.0 million) (the "P&R Capital Commitment"). At 31st December, 2020, shareholder's loans in an aggregate amount of HK$619.6 million (2019 - HK$513.0 million) have been contributed, of which HK$118.2 million (2019 - HK$11.6 million) has been provided under the P&R Capital Commitment. In addition, a total amount of HK$2,263.3 million (2019 - HK$2,530.6 million) has been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries and an associate of P&R Holdings, of which HK$2,084.7 million (2019 - HK$2,352,0 million) and HK$178.6 million (2019 - HK$178.6 million), respectively, have been provided under the P&R Capital Commitment.

In addition, three (2019 - three) loan facilities totalling HK$2,212.6 million (2019 - HK$2,212.6 million) have been granted to P&R Holdings, of which HK$2,212.6 million (2019 - HK$2,212.6 million) has been utilised, which bears interest at fixed rates of 4% to 5% per annum (2019 - 4% to 5.125% per annum).

At the end of the reporting period, the Group's share of the P&R Holdings group's own capital commitments in respect of property development projects was as follows:

	2020 **HK$'million**	**2019** **HK$'million**
Contracted, but not provided for	**465.7**	454.6

18. INVESTMENTS IN ASSOCIATES

	2020 **HK$'million**	**2019** **HK$'million**
Share of net assets	**4.6**	46.2
Amounts due from associates	**83.5**	83.5
Provision for impairment	**(76.8)**	(76.8)
	11.3	52.9

The amounts due from associates are unsecured, interest-free and repayable on demand. In the opinion of the Directors, these amounts are considered as part of the Group's net investments in the associates. As at 31st December, 2020 and 2019, loss allowance for impairment of amounts due from associates of HK$76.8 million represented lifetime ECLs made for credit-impaired balances. Except for the above balances, there has been no significant increase in credit risk of remain balances. As at 31st December, 2020 and 2019, the loss allowance for such remaining balances was assessed to be minimal.

Particulars of the Group's associates are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Group 2020	2019	Principal activities
8D International (BVI) Limited	British Virgin Islands	HK$1,000	30.0	30.0	Investment holding
8D Matrix Limited ("8D Matrix")	British Virgin Islands	HK$2,000,000	36.0[1]	36.0[1]	Investment holding
8D International Limited#	Hong Kong	HK$500,000	36.0[1]	36.0[1]	Advertising and promotion
Century Innovative Technology Limited#	Hong Kong	HK$1	36.0[1]	36.0[1]	Development and distribution of edutainment products
深圳市世紀創意科技有限公司#	PRC/ Mainland China	RMB63,000,000	36.0[1]	36.0[1]	Development and distribution of edutainment products
Yieldtop Holdings Limited ("Yieldtop")	British Virgin Islands	US$100	50.0	50.0	Investment holding
Hang Fok Properties Limited^	British Virgin Islands	US$100	50.0	50.0	Investment holding

These are wholly owned subsidiaries of 8D Matrix.

^ This is a wholly owned subsidiary of Yieldtop.

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

The above associates are indirectly held by the Company.

In the prior year, Yieldtop was considered a material associate of the Group and was accounted for using the equity method. Yieldtop and its subsidiaries are mainly engaged in investment holding activities.

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

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

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

	2020 **HK$'million**	2019 HK$'million
Share of the associates' profits/(loss) and total comprehensive income/(loss) for the year	**(0.7)**	0.8
Aggregate carrying amount of the Group's investments in the associates	**11.3**	6.8

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'million	2019 HK$'million
Non-current assets:		
Unlisted equity investments, at fair value	**169.8**	173.0
Unlisted fund investments, at fair value	**568.6**	582.8
Unlisted debt investments, at fair value	**5.2**	–
	743.6	755.8
Current assets:		
Listed equity investments, at fair value	**1,810.6**	1,280.4
Listed debt investments, at fair value	**130.5**	1,175.3
	1,941.1	2,455.7
	2,684.7	3,211.5

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

The above listed equity investments and listed debt investments included under current assets were classified as financial assets at fair value through profit or loss as they were held for trading.

At 31st December, 2020, certain of the Group's financial assets at fair value through profit or loss with a carrying value of HK$150.4 million (2019 - HK$1,078.4 million) were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

The fair value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$1,540.1 million.

During the year, the Group received dividend income from certain unlisted and listed investments amounted to HK$40.7 million (2019 - HK$8.3 million) and HK$8.2 million (2019 - HK$16.4 million), respectively.

20. OTHER LOANS

The other loans are analysed as follows:

	Notes	2020 HK$'million	2019 HK$'million
Loan to Cosmopolitan group	(a)	**535.9**	1,363.5
Other short term loan	(b)	**–**	89.3
		535.9	1,452.8
Portion included in current assets		**(535.9)**	(390.8)
Non-current portion		**–**	1,062.0

(a) The loan to Cosmopolitan group comprises a term loan of HK$535.9 million (2019 - HK$1,062.0 million) and a revolving loan of Nil (2019 - HK$301.5 million), which bear interest at 5% per annum. The loan facilities mature in 2021. They are secured by a pledge over the equity interests of the holding companies of certain property development projects owned by the Cosmopolitan group in the PRC.

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

The balances above have no recent history of default and past due amounts. As at 31st December, 2020 and 2019, the loss allowance was assessed to be minimal.

21. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$37.2 million (2019 - HK$81.0 million) representing the trade debtors of the Group.

	2020 HK$'million	2019 HK$'million
Trade debtors	**57.4**	89.2
Impairment	**(20.2)**	(8.2)
	37.2	81.0

The financial assets included in the balance, other than trade debtors, relate to receivables for which there was no recent history of default and past due amounts. As at 31st December, 2020 and 2019, the loss allowance was assessed to be minimal.

Credit terms

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

Included in the Group's debtors, deposits and prepayments are amounts due from fellow subsidiaries of HK$11.2 million (2019 - HK$23.6 million) and an amount due from an associate of an joint venture of HK$4.7 million (2019 - Nil).

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

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

	2020 HK$'million	2019 HK$'million
Outstanding balances with ages:		
Within 3 months	**29.0**	62.5
4 to 6 months	**4.2**	3.6
7 to 12 months	**6.7**	7.0
Over 1 year	**17.5**	16.1
	57.4	89.2
Impairment	**(20.2)**	(8.2)
	37.2	81.0

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

	2020 HK$'million	2019 HK$'million
At 1st January	**8.2**	4.7
Impairment loss recognised, net (note 6)	**13.5**	3.5
Amount written off as uncollectible	**(1.5)**	–
At 31st December	**20.2**	8.2

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

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

As at 31st December, 2020

	Credit impaired receivables	Current	Past due Within 3 months	Past due 4 to 6 months	Past due 7 to 12 months	Past due Over 1 year	Total
Expected credit loss rate	**100%**	**–**	**–**	**8.3%**	**1.8%**	**64.9%**	**35.2%**
Gross carrying amount (HK$'million)	**11.3**	**15.9**	**10.1**	**1.2**	**5.5**	**13.4**	**57.4**
Expected credit losses (HK$'million)	**11.3**	**–**	**–**	**0.1**	**0.1**	**8.7**	**20.2**

As at 31st December, 2019

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

22. PROPERTIES HELD FOR SALE

At 31st December, 2020, the Group's properties held for sale with a carrying value of HK$240.2 million (2019 - HK$237.7 million) were pledged to secure a banking facility granted to the Group.

23. INVENTORIES

	2020 HK$'million	2019 HK$'million
Hotel and other merchandise	**25.2**	29.6

24. RESTRICTED CASH

At 31st December, 2020, the Group had approximately HK$88.5 million (2019 - HK$76.0 million) of cash which was restricted as to use and mainly to be utilised for the purpose of servicing the finance costs and repayments on certain interest bearing bank borrowings, funding the furniture, fixtures and equipment reserve for use in the hotel buildings, and deposits of certain tenants in respect of certain investment properties.

25. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

Included in the balance is an amount of HK$31.7 million (2019 - HK$52.9 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:

	2020 HK$'million	2019 HK$'million
Outstanding balances with ages:		
Within 3 months	**31.7**	52.6
4 to 6 months	**–**	0.3
	31.7	52.9

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

Included in the creditors, deposits received and accruals are amounts due to associates, a joint venture and fellow subsidiaries of HK$13.4 million (2019 - HK$55.0 million), HK$22.7 million (2019 - HK$22.7 million) and HK$7.0 million (2019 - HK$5.3 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

26. CONTRACT LIABILITIES

	31st December, 2020 HK$'million	31st December, 2019 HK$'million	1st January, 2019 HK$'million
Contract liabilities arising from:			
Hotel operations	**51.2**	39.2	36.5
Loyalty point programmes	**2.4**	4.1	6.1
	53.6	43.3	42.6

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

27. INTEREST BEARING BANK BORROWINGS

	2020 Maturity	2020 HK$'million	2019 Maturity	2019 HK$'million
Current				
Bank loans – secured	**2021**	**7,426.3**	2020	1,747.0
Non-current				
Bank loans – secured	**2022 - 2024**	**5,880.2**	2021 - 2024	11,309.5
		13,306.5		13,056.5

	2020 HK$'million	2019 HK$'million
Analysed into:		
Bank loans repayable:		
Within one year	**7,426.3**	1,747.0
In the second year	**374.8**	6,304.3
In the third to fifth years, inclusive	**5,505.4**	5,005.2
	13,306.5	13,056.5

On 12th September, 2016, Regal REIT group, through its wholly owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a facility agreement for a term loan facility of HK$4,500.0 million and a revolving loan facility of up to HK$1,000.0 million (the "2016 IH Facilities"), for a term of five years to September 2021. The 2016 IH Facilities are secured by four of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. As at 31st December, 2020, the 2016 IH Facilities had an outstanding amount of HK$4,620.0 million, representing the full amount of the term loan facility and a revolving loan portion of HK$120.0 million.

On 8th March, 2018, Regal REIT group, through its wholly owned subsidiary, Ricobem Limited, arranged a bilateral term loan facility of HK$3,000.0 million (the "2018 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. This facility has a term of five years to March 2023. As at 31st December, 2020, the outstanding amount of the 2018 RKH Facility was HK$3,000.0 million, representing the full amount of the term loan facility.

On 19th July, 2019, Regal REIT group, through its wholly owned subsidiary, Sonnix Limited entered into a facility agreement for a term loan facility of HK$440.0 million (the "2019 WC Facility"), for a term of five years to July 2024. The 2019 WC Facility is secured by the iclub Wan Chai Hotel. As at 31st December, 2020, the outstanding facility amount of the 2019 WC Facility has been revised to HK$405.0 million.

On 19th October, 2018, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged a bilateral loan facility of up to HK$790.0 million, comprised of a term loan facility of HK$632.0 million and a revolving loan facility of up to HK$158.0 million (the "2018 SW Facilities"), secured by the iclub Sheung Wan Hotel. The 2018 SW Facilities have a term of five years to October 2023. As at 31st December, 2020, the utilised amount of the 2018 SW Facilities was HK$776.0 million, representing the full amount of the term loan facility and a revolving loan amount of HK$144.0 million.

On 29th November, 2018, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged another bilateral loan facility of up to HK$825.0 million, comprised of a term loan facility of HK$660.0 million and a revolving loan facility of up to HK$165.0 million (subsequently reduced to HK$44.0 million in September 2020) (the "2018 FH Facilities"), secured by the iclub Fortress Hill Hotel. The 2018 FH Facilities have a term of five years to November 2023. As at 31st December, 2020, the outstanding amount of the 2018 FH Facilities was HK$660.0 million, representing the full amount of the term loan facility.

On 4th September, 2017, Regal REIT group, through its wholly owned subsidiary, Land Crown International Limited, arranged a term loan facility of HK$748.0 million (the "2017 MTW Facility"), secured by the iclub Ma Tau Wai Hotel. The 2017 MTW Facility has a term of three years to September 2020. On 27th August, 2020, a supplement to 2017 MTW Facility agreement was entered into, with principal loan amount amended and restated at HK$621.0 million (the "2020 MTW Facility"), for a new term of three years to September 2023. As at 31st December, 2020, the outstanding amount of the 2020 MTW Facility was HK$621.0 million, representing the full amount of the term loan facility.

As at 31st December, 2020, the outstanding loan facilities of Regal REIT group bore interest at the HIBOR plus an interest margin ranging from 0.92% per annum to 1.20% per annum (2019 - ranging from 0.92% per annum to 1.15% per annum).

Bank borrowings under the 2016 IH Facilities, the 2018 RKH Facility, the 2019 WC Facility, the 2018 SW Facilities, the 2018 FH Facilities and the 2020 MTW Facility are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

The Regal REIT group's interest bearing bank borrowings are also secured by, amongst others:

(i) legal charges and debentures over the corresponding properties;

(ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;

(iii) charges over each relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;

(iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and

(v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

As at 31st December, 2020, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.98% per annum to 1.85% per annum, except for a bank loan of HK$7.0 million, which bore interest at Euro Interbank Offered Rates plus 2.5% per annum and bank loans of HK$92.7 million, which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars, except for bank loans of HK$57.0 million which were denominated in United States dollars and bank loans of HK$33.0 million which were denominated in Euro.

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

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 37 to the financial statements.

28. OTHER BORROWING

	2020 HK$'million	2019 HK$'million
Current		
Other borrowing – unsecured	**2,707.0**	–
Non-current		
Other borrowing – unsecured	**–**	2,716.7
	2,707.0	2,716.7

	2020 HK$'million	2019 HK$'million
Analysed into:		
Other borrowing repayable:		
In the first year	**2,707.0**	–
In the second year	**–**	2,716.7
	2,707.0	2,716.7

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

On 20th July, 2016, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US$350.0 million at a coupon interest rate of 3.875% per annum. The notes were issued at a discount at 99.663% of the principal amount.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	ASSETS	
	2020 HK$'million	2019 HK$'million
Put options	**–**	2.0
Foreign currency forward contracts	**–**	1.1
	–	3.1

At the end of the reporting period, the Group had outstanding foreign currency forward contracts and put options in relation to certain financial assets acquired by the Group, which were not designated for hedge purposes and were measured at fair value through profit or loss. A net fair value loss of HK$3.1 million (2019 - HK$24.3 million) was charged to the consolidated statement of profit or loss during the year.

30. DEFERRED TAX

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

	Fair value adjustments arising from revaluation of property, plant and equipment HK$'million	Depreciation allowances in excess of related depreciation HK$'million	Depreciation in excess of related depreciation allowances HK$'million	Losses available for offsetting against future taxable profits HK$'million	Fair value adjustments arising from acquisition of a business HK$'million	Total HK$'million
Gross deferred tax assets/(liabilities) at 1st January, 2019	(2.6)	(878.4)	1.6	52.7	(14.2)	(840.9)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	45.1	0.2	3.6	(0.7)	48.2
Exchange differences	0.1	–	–	–	0.4	0.5
Gross deferred tax assets/(liabilities) at 31st December, 2019 and 1st January, 2020	(2.5)	(833.3)	1.8	56.3	(14.5)	(792.2)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	42.5	–	0.5	(0.9)	42.1
Exchange differences	(0.2)	–	–	–	(1.4)	(1.6)
Gross deferred tax assets/(liabilities) at 31st December, 2020	(2.7)	(790.8)	1.8	56.8	(16.8)	(751.7)

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

	2020 HK$'million	2019 HK$'million
Net deferred tax assets recognised in the consolidated statement of financial position	**50.1**	47.5
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(801.8)**	(839.7)
	(751.7)	(792.2)

The Group has unrecognised tax losses arising in Hong Kong amounting to HK$4,056.5 million (2019 - HK$3,109.5 million) at the end of the reporting period. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets in respect of the above tax losses amounting to HK$669.3 million (2019 - HK$513.1 million) have not been recognised on account of the unpredictability of future profit streams.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1st January, 2008 and applies to earnings after 31st December, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1st January, 2008.

At 31st December, 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$349.5 million at 31st December, 2020 (2019 - HK$323.7 million).

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

31. SHARE CAPITAL AND SHARE PREMIUM

	2020 HK$'million	2019 HK$'million
Shares		
Authorised:		
2,000.0 million ordinary shares of HK$0.10 each	**200.0**	200.0
0.1 million 5¼% convertible cumulative redeemable preference shares of US$10 each	**1.3**	1.3
	201.3	201.3
Issued and fully paid:		
898.8 million ordinary shares of HK$0.10 each	**89.9**	89.9
Share premium		
Ordinary shares	**404.7**	404.7

There is no movement in the Company's share capital and share premium account during the years ended 31st December, 2020 and 2019.

32. RESERVES

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 80 and 81.

33. PERPETUAL SECURITIES

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

There was no movement in the number of perpetual securities during the years ended 31st December, 2020 and 2019.

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

34. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2020	2019
Percentage of equity interest held by non-controlling interests of Regal REIT	**25.42%**	25.42%

	2020 HK$'million	2019 HK$'million
Profit/(loss) for the year allocated to non-controlling interests of the Regal REIT group	**(10.8)**	5.1
Dividends paid to non-controlling interests of the Regal REIT group	**96.0**	119.2
Accumulated balances of non-controlling interests of the Regal REIT group at the reporting date	**610.1**	717.0

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

	2020 HK$'million	2019 HK$'million
Revenue	**871.4**	975.6
Profit/(loss) for the year, before distributions to unitholders	**(42.5)**	20.1
Total comprehensive income/(loss) for the year, before distributions to unitholders	**(42.5)**	20.1
Non-current assets	**14,666.0**	15,179.6
Current assets	**361.5**	217.5
Current liabilities	**(4,864.6)**	(883.9)
Non-current liabilities	**(6,078.9)**	(10,018.8)
Net cash flows from operating activities	**478.1**	524.8
Net cash flows used in investing activities	**(57.3)**	(35.3)
Net cash flows used in financing activities	**(308.3)**	(489.7)
Net increase/(decrease) in cash and cash equivalents	**112.5**	(0.2)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalent balances

	2020 HK$'million	2019 HK$'million
Cash and bank balances	**2,267.1**	801.6
Non-pledged time deposits with an original maturity of less than three months when acquired	**70.7**	631.5
Non-pledged time deposit with an original maturity of more than three months when acquired	**11.2**	–
Cash and cash equivalents	**2,349.0**	1,433.1

In addition, at the end of the reporting period, the cash and bank balances of the Group amounting to HK$798.3 million (2019 - HK$436.4 million) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

(b) Major non-cash transactions

(i) During the year, the Group had non-cash additions/modification to right-of-use assets (included those in investment properties) and lease liabilities of HK$11.5 million (2019 - HK$28.7 million) and HK$11.8 million (2019 - HK$28.7 million), respectively, in respect of lease arrangements for leased properties.

(ii) During the year, the Group received dividend income from a joint venture through settlement of an equity investment at fair value through profit or loss amounted to HK$650.7 million, details of which are disclosed in note 17 to the financial statements.

(iii) During the year, dividend receivable from an associate of HK$41.0 million was used to offset the amount due to associate of HK$54.3 million.

(iv) During the year, the Group received dividend income from certain unlisted investments through settlement of equity investments at fair value through profit or loss amounted to HK$40.2 million.

(v) During the year ended 31st December, 2019, the Group received dividend income from a joint venture through settlement of an equity investment at fair value through other comprehensive income amounted to HK$262.5 million, details of which are disclosed in note 17 to the financial statements.

(vi) During the year ended 31st December, 2019, the Group transferred an equity investment at fair value through other comprehensive income amounted to HK$33.6 million settled through loans to a joint venture, details of which are disclosed in note 17 to the financial statements.

(c) Changes in liabilities arising from financing activities

2020

	Interest bearing bank borrowings HK$'million	Other borrowing HK$'million	Lease liabilities HK$'million	Interest payable on interest bearing bank borrowings and other borrowing HK$'million
At 1st January, 2020	**13,056.5**	**2,716.7**	**53.1**	**66.1**
Changes from financing cash flows	**219.6**	**(3.0)**	**(16.5)**	**(387.4)**
New lease/lease modification	**–**	**–**	**(11.8)**	**–**
Foreign exchange movement	**2.0**	**(12.7)**	**2.1**	**(0.4)**
Finance costs	**28.4**	**6.0**	**0.9**	**377.3**
At 31st December, 2020	**13,306.5**	**2,707.0**	**27.8**	**55.6**

2019

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

(d) Total cash outflow for leases

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

	2020 HK$'million	2019 HK$'million
Within operating activities	**2.0**	0.2
Within financing activities	**16.5**	19.2
	18.5	19.4

36. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2020 HK$'million	2019 HK$'million
Fellow subsidiaries:			
Management fees	(i)	**34.9**	45.9
Development consultancy fees	(ii)	**11.0**	12.8
Service fees in respect of security systems and products and other software	(iii)	**0.5**	0.6
Repairs and maintenance fees and construction fees	(iv)	**9.7**	7.6
An associate:			
Advertising and promotion fees (including cost reimbursements)	(v)	**2.2**	5.0
A joint venture:			
Gross interest income	(vi)	**149.5**	160.2
Estate management fee income	(vii)	**2.2**	2.5

Notes:

(i) The management fees included rentals and other overheads allocated from a wholly owned subsidiary of CCIHL, either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, PHL, Cosmopolitan and the Company based on the distribution of job responsibilities and the estimated time spent by the relevant staff in serving each of the four groups.

(ii) The development consultancy fees were paid to a fellow subsidiary for various services provided, which include advisory, supervisory, architectural and design services in connection with property development projects and other renovation projects of the hotels operated by the Group. The fees were charged at agreed rates of the estimated cost of individual projects.

(iii) Fees were paid to certain fellow subsidiaries for the purchases and maintenance services of the security systems and products and other software installed in the Group's hotel properties. The fees were charged based on cost plus a margin depending on the nature and location of the work performed.

(iv) Fees were paid to a fellow subsidiary for providing repairs and maintenance and construction works for the Group's hotel properties. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.

(v) The advertising and promotion fees paid to an associate comprised a retainer fee determined by reference to the estimated volume of advertising and promotional activities of the Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.

(vi) The amount comprises interest income earned by the Group with respect to interest bearing loans to P&R Holdings at fixed rates of 4% to 5% per annum (2019 - 4% to 5.125% per annum) and interest income earned by the Group on the loan facilities granted to the Cosmopolitan group at 5% per annum as disclosed in note 20 to the financial statements.

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

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

(b) Outstanding balances with related parties:

	Notes	2020 HK$'million	2019 HK$'million
Due from fellow subsidiaries	(i)	**11.2**	23.6
Due to a joint venture	(ii)	**(22.7)**	(22.7)
Due to associates	(ii)	**(13.4)**	(55.0)
Due to fellow subsidiaries	(ii)	**(7.0)**	(5.3)
Loans to a joint venture	(iii)	**2,832.2**	2,725.6
Due from a joint venture	(iii)	**149.1**	128.1
Due from associates	(iv)	**83.5**	83.5
Due from an associate of a joint venture	(v)	**4.7**	–
Other loan	(vi)	**535.9**	1,363.5

Notes:

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

(ii) Details of the amounts due to a joint venture, associates and fellow subsidiaries are included in "Creditors, deposits received and accruals" in note 25 to the financial statements.

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

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

(v) Details of the amount due from an associate of a joint venture are included in "Debtors, deposits and prepayments" in note 21 to the financial statements.

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

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

	2020 HK$'million	2019 HK$'million
Short term employee benefits	**28.0**	31.2
Staff retirement scheme contributions	**1.8**	1.9
Total compensation paid to key management personnel	**29.8**	33.1

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

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

A related party transaction set out in note 36(a)(ii) above also constituted a connected transaction as defined in Chapter 14A of the Listing Rules to the Company and is subject to relevant disclosure requirement under the Relevant Requirements, but is exempted from the other Relevant Requirements pursuant to rule 14A.76(2)(a) of the Listing Rules. The disclosure requirement with respect to such transaction has been complied with. The other related party transactions set out in note 36(a)(ii) above also constituted connected transactions as defined in Chapter 14A of the Listing Rules to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.76(1)(a) of the Listing Rules.

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

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

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

The related party transactions set out in note 36(a)(vi) above were contemplated under transactions (the "Transactions") which constituted connected transactions to the Company subject to the Relevant Requirements. The Relevant Requirements with respect to the Transactions had been complied with.

Relevant disclosures and other requirements, including, inter alia, independent shareholders' approval (where required) in accordance with the Listing Rules with respect to the connected or continuing connected transactions during the prior year set out in note 36(a) had been made or met or otherwise exempted.

37. PLEDGE OF ASSETS

As at 31st December, 2020, 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$21,288.1 million (2019 - 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.

38. CONTINGENT LIABILITIES

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

	2020 HK$'million	2019 HK$'million
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture	**2,084.7**	2,352.0
Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture	**178.6**	178.6

At 31st December, 2020, the banking facilities granted to certain subsidiaries and an associate of a joint venture subject to corporate guarantees given on a several basis to banks by the Group were utilised to the extent of HK$2,084.7 million (2019 - HK$2,352.0 million) and HK$178.6 million (2019 - HK$178.6 million), respectively.

At 31st December, 2020, a corporate guarantee in respect of attributable share of a demand bond issued by a bank to Urban Renewal Authority amounting to HK$4.0 million (2019 - HK$4.0 million) in relation to a hotel project of a joint venture has been provided by the Group.

In addition, a corporate guarantee has been given to a bank by the Group for a performance bond issued by the bank in relation to a property development contract undertaken by the Group amounting to HK$15.0 million (2019 - HK$15.0 million).

39. COMMITMENTS

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

	2020 HK$'million	2019 HK$'million
Contracted, but not provided for:		
Property development projects	**500.8**	897.8

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at fair value through profit or loss - mandatorily designated as such HK$'million	Financial assets at amortised cost HK$'million	Total HK$'million
Other loans	–	535.9	535.9
Trade debtors (note 21)	–	37.2	37.2
Other financial assets included in debtors, deposits and prepayments	–	307.2	307.2
Financial assets at fair value through profit or loss	2,684.7	–	2,684.7
Loans to a joint venture	–	2,832.2	2,832.2
Amount due from a joint venture (note 17)	–	149.1	149.1
Amounts due from associates	–	6.7	6.7
Restricted cash	–	88.5	88.5
Pledged time deposits and bank balances	–	311.3	311.3
Time deposits	–	81.9	81.9
Cash and bank balances	–	2,267.1	2,267.1
	2,684.7	6,617.1	9,301.8

Financial liabilities

	Financial liabilities at amortised cost HK$'million
Trade creditors (note 25)	**31.7**
Other financial liabilities included in creditors, deposits received and accruals	**305.5**
Amount due to a joint venture	**22.7**
Amounts due to associates	**13.4**
Interest bearing bank borrowings	**13,306.5**
Other borrowing	**2,707.0**
Lease liabilities	**27.8**
	16,414.6

2019

Financial assets

	Financial assets at fair value through profit or loss - mandatorily designated as such HK$'million	Financial assets at amortised cost HK$'million	Total HK$'million
Other loans	–	1,452.8	1,452.8
Trade debtors (note 21)	–	81.0	81.0
Other financial assets included in debtors, deposits and prepayments	–	206.9	206.9
Financial assets at fair value through profit or loss	3,211.5	–	3,211.5
Derivative financial instruments	3.1	–	3.1
Loans to a joint venture	–	2,725.6	2,725.6
Amount due from a joint venture (note 17)	–	128.1	128.1
Amounts due from associates	–	6.7	6.7
Restricted cash	–	76.0	76.0
Pledged time deposits and bank balances	–	357.0	357.0
Time deposits	–	631.5	631.5
Cash and bank balances	–	801.6	801.6
	3,214.6	6,467.2	9,681.8

Financial liabilities

	Financial liabilities at amortised cost HK$'million
Trade creditors (note 25)	52.9
Other financial liabilities included in creditors, deposits received and accruals	291.8
Amount due to a joint venture	22.7
Amounts due to associates	55.0
Interest bearing bank borrowings	13,056.5
Other borrowing	2,716.7
Lease liabilities	53.1
	16,248.7

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

Fair value hierarchy

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

Assets measured at fair value as at 31st December, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	**Significant observable inputs (Level 2) HK$'million**	**Significant unobservable inputs (Level 3) HK$'million**	**Total HK$'million**
Financial assets at fair value through profit or loss:				
Listed equity investments	**1,810.6**	**–**	**–**	**1,810.6**
Listed debt investments	**–**	**130.5**	**–**	**130.5**
Unlisted equity investments	**–**	**–**	**169.8**	**169.8**
Unlisted fund investments	**–**	**–**	**568.6**	**568.6**
Unlisted debt investments	**–**	**–**	**5.2**	**5.2**
	1,810.6	**130.5**	**743.6**	**2,684.7**

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	**Significant observable inputs (Level 2) HK$'million**	**Significant unobservable inputs (Level 3) HK$'million**	**Total HK$'million**
Financial assets at fair value through profit or loss:				
Listed equity investments	1,280.4	–	–	1,280.4
Listed debt investments	–	1,175.3	–	1,175.3
Unlisted equity investments	–	–	173.0	173.0
Unlisted fund investments	–	–	582.8	582.8
Derivative financial instruments	–	3.1	–	3.1
	1,280.4	1,178.4	755.8	3,214.6

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

	2020 HK$'million	2019 HK$'million
Financial assets at fair value through profit or loss – unlisted investments:		
At 1st January	**755.8**	550.1
Purchases	**36.1**	144.6
Distributions	**(55.9)**	(18.5)
Total gains recognised in profit or loss, net	**65.6**	84.1
Disposal	**(58.0)**	(4.5)
At 31st December	**743.6**	755.8

Liabilities measured at fair value as at 31st December, 2020

The Group did not have any financial liabilities measured at fair value as at 31st December, 2020 (2019 - Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019 - Nil).

Valuation techniques

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

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

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

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

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest bearing bank borrowings, other borrowings, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as financial assets at fair value through profit or loss, financial assets at amortised cost, and other loans, which arise directly from its operations.

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

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with floating interest rates. The interest rates and terms of repayment of the Group's interest bearing bank borrowings are disclosed in note 27 to the financial statements. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

For Hong Kong dollar borrowings, assuming the amount of bank borrowings outstanding at the end of the reporting period was outstanding for the whole year, a 100 basis point increase in interest rates would have increased the Group's loss before tax for the current year by HK$107.0 million (2019 - decreased the Group's profit before tax by HK$106.4 million) and increased the finance cost capitalised by HK$25.6 million (2019 - HK$18.6 million). A 10 basis point decrease in interest rates would have decreased the Group's loss before tax for the current year by HK$10.7 million (2019 - increased the Group's profit before tax by HK$10.6 million) and decreased the finance cost capitalised by HK$2.6 million (2019 - HK$1.9 million).

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

Credit risk

The Group only grants credit after making credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

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

As at 31st December, 2020	**12-month ECLs**	**Lifetime ECLs**			
	Stage 1 HK$'million	**Stage 2 HK$'million**	**Stage 3 HK$'million**	**Simplified approach HK$'million**	**Total HK$'million**
Other loans	535.9	–	–	–	535.9
Trade debtors*	–	–	–	57.4	57.4
Other financial assets included in debtors, deposits and prepayments					
- Normal#	307.2	–	–	–	307.2
Restricted cash					
- Not yet past due	88.5	–	–	–	88.5
Pledged time deposits and bank balances					
- Not yet past due	311.3	–	–	–	311.3
Time deposits					
- Not yet past due	81.9	–	–	–	81.9
Cash and bank balances					
- Not yet past due	2,267.1	–	–	–	2,267.1
Loans to a joint venture	2,832.2	–	–	–	2,832.2
Amount due from a joint venture					
- Not yet past due	149.1	–	–	–	149.1
Amounts due from associates					
- Not yet past due	83.5	–	–	–	83.5
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture					
- Facilities drawn					
- Not yet past due	2,084.7	–	–	–	2,084.7
Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture					
- Facility drawn					
- Not yet past due	178.6	–	–	–	178.6
	8,920.0	–	–	57.4	8,977.4

As at 31st December, 2019	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'million	Stage 2 HK$'million	Stage 3 HK$'million	Simplified approach HK$'million	Total HK$'million
Other loans	1,452.8	–	–	–	1,452.8
Trade debtors*	–	–	–	89.2	89.2
Other financial assets included in debtors, deposits and prepayments					
- Normal#	206.9	–	–	–	206.9
Restricted cash					
- Not yet past due	76.0	–	–	–	76.0
Pledged time deposits and bank balances					
- Not yet past due	357.0	–	–	–	357.0
Time deposits					
- Not yet past due	631.5	–	–	–	631.5
Cash and bank balances					
- Not yet past due	801.6	–	–	–	801.6
Loans to a joint venture	2,752.6	–	–	–	2,752.6
Amount due from a joint venture					
- Not yet past due	128.1	–	–	–	128.1
Amounts due from associates					
- Not yet past due	83.5	–	–	–	83.5
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture					
- Facilities drawn					
- Not yet past due	2,352.0	–	–	–	2,352.0
Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture					
- Facility drawn					
- Not yet past due	178.6	–	–	–	178.6
	9,020.6	–	–	89.2	9,109.8

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 21 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities and other borrowings. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group will raise funds from different sources, including through the financial market or realisation of its assets, if required.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020			
	Within 1 year or on demand HK$'million	1 to 5 years HK$'million	Over 5 years HK$'million	Total HK$'million
Interest bearing bank borrowings	7,585.7	6,020.6	–	13,606.3
Other borrowing	2,768.1	–	–	2,768.1
Trade creditors	31.7	–	–	31.7
Other financial liabilities included in creditors, deposits received and accruals	243.1	104.5	–	347.6
Lease liabilities	12.3	15.8	–	28.1
Corporate guarantees provided in respect of attributable share of banking facilities utilised by certain subsidiaries of a joint venture	2,084.7	–	–	2,084.7
Corporate guarantee provided in respect of a banking facility utilised by an associate of a joint venture	178.6	–	–	178.6
	12,904.2	6,140.9	–	19,045.1

F-223

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

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed and unlisted equity investments classified as financial assets at fair value through profit or loss (note 19) at the end of the reporting period.

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

	Carrying amount of equity investments HK$'million	Change in loss before tax HK$'million
2020		
Listed investments:		
– Financial assets at fair value through profit or loss	**1,810.6**	**90.5**
Unlisted investments at fair value:		
– Financial assets at fair value through profit or loss	**169.8**	**8.5**

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

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and enhance shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Capital represents equity attributable to equity holders of the parent. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements except for the obligation under the lease guarantees given by the Company in connection with the leasing of certain hotel properties from Regal REIT and the undertakings under corporate guarantees given by the Company for banking facilities granted to certain subsidiaries and certain subsidiaries and an associate of a joint venture, to maintain a minimum consolidated tangible net worth, which has been complied with during the year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2020 and 31st December, 2019.

The Group monitors capital using a net debt to total assets ratio, which is net debt divided by the total assets. Net debt includes interest bearing bank borrowings and other borrowings less cash, bank balances and deposits. The net debt to total assets ratios as at the end of the reporting periods were as follows:

	2020 HK$'million	2019 HK$'million
Interest bearing bank borrowings and other borrowing	**16,013.5**	15,773.2
Less: Cash, bank balances and deposits	**(2,748.8)**	(1,866.1)
Net debt	**13,264.7**	13,907.1
Total assets	**32,459.3**	32,702.0
Net debt to total assets ratio	**40.9%**	42.5%

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2020 HK$'million	2019 HK$'million
NON-CURRENT ASSETS		
Investments in subsidiaries	**5,451.1**	5,511.3
CURRENT ASSETS		
Prepayments	**0.2**	0.3
Cash and bank balances	**2.3**	1.9
Total current assets	**2.5**	2.2
CURRENT LIABILITIES		
Creditors and accruals	**(5.0)**	(5.3)
NET CURRENT LIABILITIES	**(2.5)**	(3.1)
Net assets	**5,448.6**	5,508.2
EQUITY		
Issued capital	**89.9**	89.9
Reserves (note)	**5,358.7**	5,418.3
Total equity	**5,448.6**	5,508.2

Note:

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

	Share premium account HK$'million	Capital redemption reserve HK$'million	Retained profits HK$'million	Total HK$'million
At 1st January, 2019	404.7	17.7	5,167.9	5,590.3
Loss for the year	–	–	(5.8)	(5.8)
Final 2018 dividend declared	–	–	(125.8)	(125.8)
Interim 2019 dividend	–	–	(40.4)	(40.4)
At 31st December, 2019 and 1st January, 2020	404.7	17.7	4,995.9	5,418.3
Loss for the year	–	–	(5.7)	(5.7)
Final 2019 dividend declared	–	–	(53.9)	(53.9)
At 31st December, 2020	404.7	17.7	4,936.3	5,358.7

44. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, in February 2021, a refinancing for a 3-year term in an aggregate facility amount of HK$4,125 million secured on the Mount Regalia properties was completed with a syndicate of bank lenders. The facility is divided into two separate tranches. The first tranche is a term loan to a wholly owned subsidiary of P&R Holdings in a facility amount of HK$3,000 million, which is extendable for a further term of two years subject to certain conditions. The other tranche is a revolving loan in a facility amount of HK$1,125 million made directly available to the Group.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23rd March, 2021.

EY 安永

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

Opinion

We have audited the consolidated financial statements of Regal Hotels International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 185, which comprise the consolidated statement of financial position as at 31st December, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in joint ventures	
As at 31st December, 2020, the carrying amount of the investments in joint ventures of HK$4,010.1 million represented approximately 26% of the Group's net assets. The joint ventures were stated at the Group's share of net assets under the equity method of accounting, less any impairment losses, at each of the reporting dates. The impairment assessment of investments in joint ventures is significant to our audit due to (i) the significance of the carrying amount of the joint ventures as at 31st December, 2020; and (ii) the determination of the recoverable amounts of the joint ventures is dependent on a range of estimates of the recoverable amounts of their underlying property development projects, such as estimated market prices, estimated costs to completion, estimated rental values, estimated future cash flows, discount rates and capitalisation rates. Related disclosures are included in notes 2.4, 3 and 17 to the consolidated financial statements.	Our audit procedures included, among others, an evaluation of the management's impairment assessment of the joint ventures including the underlying property development projects, which were mainly based on discounted cash flow projections prepared by management of the joint ventures or valuations prepared by external valuers. We also evaluated the assumptions adopted in estimated costs to completion, taking into consideration of market conditions and trends, reliability of previous projections and historical evidence supporting underlying assumptions. We involved our internal valuation specialists to evaluate the assumptions, valuation methodologies and parameters adopted in the valuation of the property development projects, among others, estimated market prices, estimated rental values, estimated future cash flows, discount rates and capitalisation rates, taking into consideration the selling prices and rental value of comparable properties, market conditions and trends, reliability of previous projections and historical evidence supporting underlying assumptions. In addition, we assessed the independence, objectivity and competence of the external valuers.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of certain non-financial assets	
The Group holds several property development projects, hotel properties and aircraft in Hong Kong and overseas. As at 31st December, 2020, the carrying amount (before impairment) of properties under development/construction, hotel properties (included in property, plant and equipment and right-of-use assets) and aircraft amounted to HK$5,825.7 million, HK$14,577.7 million and HK$375.1 million, respectively. The impairment assessment of these non-financial assets is significant to our audit due to (i) the significance of the carrying amounts as at 31st December, 2020; and (ii) the determination of the recoverable amounts is dependent on a range of estimates, such as estimated selling prices and budgeted costs to complete property development projects, estimated room rates, estimated occupancy rates, estimated future cash flows, discount rates, capitalisation rates and estimated economic useful lives and residual values of aircraft. Related disclosures are included in notes 2.4, 3, 13, 15 and 16 to the consolidated financial statements.	We discussed the progress of property development projects and business plans for hotel properties and aircraft with management. With the assistance from our internal valuation specialists, we also assessed the assumptions and estimates adopted in the discounted cash flow projections prepared by management or valuations performed by external valuers, such as estimated selling prices and budgeted costs to complete the property development projects, estimated room rates, estimated occupancy rates, estimated future cash flows, discount rates, capitalisation rates and estimated economic useful lives and residual values of aircraft, taking into consideration the selling prices and rental value of comparable properties/aircraft, market conditions and trends, reliability of previous projections and historical evidence supporting underlying assumptions. In addition, we assessed the independence, objectivity and competence of the external valuers.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants

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

23rd March, 2021

ISSUER

RH International Finance Limited
Vistra Corporate Services Centre
Wickhams Cay II, Road Town
Tortola, VG1110
British Virgin Islands

GUARANTOR

Regal Hotels International Holdings Limited
11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

AUDITORS OF THE GUARANTOR

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

FISCAL AGENT, PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG, Hong Kong Branch
Level 60, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

REGISTRAR IN RESPECT OF NOTES OTHER THAN CMU NOTES

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-1115, Luxembourg

CMU LODGING AND PAYING AGENT AND REGISTRAR IN RESPECT OF CMU NOTES

Deutsche Bank AG, Hong Kong Branch
Level 60, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

LEGAL ADVISERS

To the Issuer and the Guarantor as to British Virgin Islands and Bermuda law

Conyers Dill & Pearman
29th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

To the Joint Arrangers and the Dealers as to English law

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central
Hong Kong