



富豪酒店國際控股有限公司

**Regal Hotels**

International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 78)

# 2015 ANNUAL REPORT



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

# Corporate Information

## DIRECTORS

### *Executive Directors*

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Lo Po Man

(Vice Chairman and Managing Director)

Belinda Yeung Bik Yiu

(Chief Operating Officer)

Donald Fan Tung

Jimmy Lo Chun To

Kenneth Ng Kwai Kai

Allen Wan Tze Wai

### *Non-Executive Director*

Francis Choi Chee Ming, GBS, JP

(Vice Chairman)

### *Independent Non-Executive Directors*

Alice Kan Lai Kuen

Japhet Sebastian Law

Ng Siu Chan

Wong Chi Keung

## AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Francis Choi Chee Ming, GBS, JP

Alice Kan Lai Kuen

Japhet Sebastian Law

Ng Siu Chan

## REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Alice Kan Lai Kuen

Ng Siu Chan

## NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Alice Kan Lai Kuen

Ng Siu Chan

Wong Chi Keung

## SECRETARY

Eliza Lam Sau Fun

## AUDITORS

Ernst & Young

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

The Bank of East Asia, Limited

Standard Chartered Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

China Construction Bank Corporation, Hong Kong Branch

Oversea-Chinese Banking Corporation Limited

Bank of Communications Co., Ltd., Hong Kong Branch

Australia and New Zealand Banking Group Limited

United Overseas Bank Limited, Hong Kong Branch

Bank SinoPac, Hong Kong Branch

## PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited

The Belvedere Building, 69 Pitts Bay Road

Pembroke HM08, Bermuda

## BRANCH REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

## REGISTERED OFFICE

The Belvedere Building, 69 Pitts Bay Road

Pembroke HM08, Bermuda

## HEAD OFFICE AND PRINCIPAL

### PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street

Causeway Bay, Hong Kong

Tel: 2894 7888

Fax: 2890 1697

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

# Directors' Profile

**Mr. Lo Yuk Sui**, aged 71; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1989 when the Company was established in Bermuda as the holding company of the Group. Mr. Lo has been the managing director and the chairman of the predecessor listed company of the Group since 1984 and 1987 respectively. Mr. Lo was designated as the Chief Executive Officer of the Company in 2007. He is also an executive director, the chairman and the chief executive officer of Century City International Holdings Limited ("CCIHL") (the ultimate listed holding company of the Company), Paliburg Holdings Limited ("PHL") (the immediate listed holding company of the Company) and Cosmopolitan International Holdings Limited ("Cosmopolitan") (the listed fellow subsidiary of the Company), and a non-executive director and the chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed subsidiary of the Company). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Miss Lo Po Man and Mr. Jimmy Lo Chun To.

**Miss Lo Po Man**, aged 36; *Vice Chairman and Managing Director* — Joined the Group in 2000 and appointed to the Board in 2004. Miss Lo has been a Vice Chairman and the Managing Director of the Company since 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor's Degree in Psychology. Miss Lo is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

**Dr. Francis Choi Chee Ming**, *GBS, JP*, aged 70; *Vice Chairman and Non-Executive Director* — Invited to the Board as Non-Executive Director and elected Vice Chairman in 2004. Dr. Choi holds a Master's Degree in Business Administration from the Newport University in the United States of America. He also holds a Ph. D. in Business Management from Harbin Institute of Technology, the People's Republic of China and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. Dr. Choi is the chairman of Early Light International (Holdings) Limited and has extensive business interests in the manufacturing industry and the property sector. He is the Honorary President of the Toys Manufacturers' Association of Hong Kong, Honorary President of the Hong Kong Young Industrialists Council and the Court Member of the Hong Kong Polytechnic University. Dr. Choi is also the deputy chairman and non-executive director of Town Health International Medical Group Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Ms. Belinda Yeung Bik Yiu**, aged 57; *Executive Director and Chief Operating Officer* — Appointed to the Board in 2002 and designated as the Chief Operating Officer in 2007. Ms. Yeung joined the Group in 1987. Graduated from Barron Hilton School of Hotel Management, University of Houston, U.S.A., Ms. Yeung has devoted her career in the hospitality industry in U.S.A., Mainland China and Hong Kong – on both multi-unit corporate and single-unit hotel property management levels. As the Chief Operating Officer, she is in charge of the operations of all Regal Hotels in Hong Kong and Mainland China. In addition to her hotel management responsibilities, Ms. Yeung is also responsible for the human resources management of the Century City Group. Ms. Yeung is a member of Election Committee for the Hong Kong Chief Executive Election, Board Member of the Hong Kong Tourism Board, First Vice Chairman of the Federation of Hong Kong Hotel Owners, Fellow of The Hong Kong Polytechnic University ("PolyU"), Chairman of the Industry Advisory Committee of PolyU's School of Hotel & Tourism Management and Honorary Fellow of the Vocational Training Council.

## Directors' Profile (Cont'd)

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

**Ms. Alice Kan Lai Kuen**, aged 61; *Independent Non-Executive Director* — Invited to the Board as 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 and Asia Investment Research Limited involving in research work in Hong Kong and China based companies. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong (the "SFO") and a responsible officer of Asia Investment Management Limited and Asia Investment Research 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 China Engene International (Holdings) Limited, Shima Property Holdings Limited and Shougang Concord International Enterprises Company Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Maritime Holdings Limited, a company listed on Singapore Exchange Securities Trading Limited.

**Professor Japhet Sebastian Law**, aged 64; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2012. Professor Law obtained his Ph.D. in Mechanical/Industrial Engineering from The University of Texas at Austin in 1976. He joined The Chinese University of Hong Kong in 1986 and was a professor in the Department of Decision Sciences and Managerial Economics and the director of the Aviation Policy and Research Center until his retirement since August 2012. He was also the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 to 2002. Prior to returning to Hong Kong, Professor Law was the director of operations research at the Cullen College of Engineering and director of graduate studies in Industrial Engineering at the University of Houston, and he was also involved with the United States Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Professor Law has acted as a consultant for various corporations in Hong Kong and overseas. He is active in public services, having served as a member of the Provisional Regional Council of the Government of the Hong Kong Special Administrative Region and various other government advisory committees, and he is also active in serving on the boards of for-profit, non-profit, public and charitable organisations in Hong Kong and overseas. Professor Law is currently an independent non-executive director of Beijing Capital International Airport Company Limited, Binhai Investment Company Limited, Global Digital Creations Holdings Limited, Shanghai La Chapelle Fashion Co., Ltd., Shougang Fushan Resources Group Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited and Tianjin Port Development Holdings Limited, all of which are companies listed on the Stock Exchange. Professor Law has also served on various committees and boards of international organisations, including The Association to Advance Collegiate Schools of Business, Graduate Management Admission Council and Oxfam International.

**Mr. Jimmy Lo Chun To**, aged 42; *Executive Director* — Appointed to the Board in 1999. Mr. Jimmy Lo is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director and a vice chairman and the managing director of Cosmopolitan, and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. He joined the Century City Group in 1998. Mr. Jimmy Lo is primarily involved in overseeing the Group's property projects in the People's Republic of China (the "PRC") and, in addition, undertakes responsibilities in the business development of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

**Mr. Kenneth Ng Kwai Kai**, aged 61; *Executive Director* — Joined the Group in 1985 and appointed to the Board in 1998. Mr. Ng is a Chartered Secretary and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. He is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and Cosmopolitan, and a non-executive director of RPML.

**Mr. Ng Siu Chan**, aged 85; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2005. Mr. Ng is also an independent non-executive director of CCIHL and PHL. He is a non-executive director of Transport International Holdings Limited, which is a company listed on the Stock Exchange.

**Mr. Allen Wan Tze Wai**, aged 57; *Executive Director* — Appointed to the Board in 2010. Mr. Wan has been with the Century City Group for over 20 years and is the Group Financial Controller of the Century City Group. Mr. Wan holds a Bachelor's Degree in Commerce from the University of New South Wales in Australia. He is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Wan has over 30 years of experience in finance and accounting field.

**Mr. Wong Chi Keung**, aged 61; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and PHL. He holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited under the SFO, and he will cease to be such responsible officer with effect from 16th April, 2016. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as Yuexiu Property Company Limited), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Shanshui Cement Group Limited, China Ting Group Holdings Limited, ENM Holdings Limited, Fortunet e-Commerce Group Limited, Golden Eagle Retail Group Limited, Nickel Resources International Holdings Company Limited (formerly known as China Nickel Resources Holdings Company Limited), TPV Technology Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 33 years of experience in finance, accounting and management.

# Chairman's Statement



Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2015.

## FINANCIAL RESULTS

For the year ended 31st December, 2015, the Group achieved a consolidated profit attributable to shareholders of HK\$119.0 million, as compared to the profit of HK\$410.3 million attained in 2014.

As explained in the profit warning announcement of the Company dated 15th March, 2016, the substantially lower profit achieved for the year under review is primarily attributable to the fact that in the comparative profit attained last year, there were a number of one-off items including, in particular, the share of profit from an associate in a sum of HK\$121.6 million in relation to the recovery of loans receivable and related interest income, as disclosed in the annual report of the Company for the year ended 31st December, 2014. Moreover, due to the decrease in the number of visitor arrivals to Hong Kong, the performance of the hotel industry in Hong Kong in 2015 has been adversely affected. Hence, the operating results of the hotels of the Group in Hong Kong, being one of its core business operations, for the year have also been impacted, as compared to the levels achieved in 2014.

Operating profit before depreciation, finance costs and tax for the year amounted to HK\$1,046.3 million (2014 – HK\$1,160.4 million). As also explained before, all the Group's hotel properties in Hong Kong are owned and self-operated by subsidiaries of the Company and are, therefore, subject to depreciation charges in order to conform to applicable accounting standards. Total depreciation charges on the Group's hotel properties in Hong Kong for the year amounted to HK\$453.0 million which, although not having an effect on cash flow, have nonetheless significantly impacted on the reported profit. In addition, depreciation charges on the Group's aircraft fleet for the year amounted to HK\$39.9 million.

Having regard to the material difference between the carrying values of the Group's hotel property portfolio, which are subject to accumulated depreciation charges, and their fair values as at 31st December, 2015, shareholders could refer to the Adjusted Net Asset Value Statement presented in the section headed "Management Discussion and Analysis" in this Annual Report, which showed for the purpose of reference that, if all such hotel properties were to be stated at their independent professional market valuation as at 31st December, 2015, the underlying adjusted net asset value of the Company would amount to HK\$18.66 per share.

### BUSINESS OVERVIEW

#### HOTELS

##### MARKET OVERVIEW

Continuing the divergent trend in the previous year, the few major economies performed differently during 2015 with the United States leading the recovery pace. On 16th December, 2015, for the first time in almost 10 years, the US Federal Reserve raised the Federal Funds Rate by 0.25% and, matching the decision of the US Federal Reserve, the Hong Kong Monetary Authority also increased the base rate by 25 basis points from 0.5% to 0.75%, raising the interest rate in Hong Kong for the first time since 2006. This was believed to be the start of the US interest rate normalisation process but the pace of future interest rate hikes will still be dependent on the global economic conditions. While the US is showing signs of a recovery in its economy, the economies in the Eurozone only have slight improvements and Japan remains stagnant. In the People's Republic of China, the annual Gross Domestic Product (GDP) increased by 6.9%, representing a drop of 0.4 percentage point as compared to the preceding year, evidencing China's efforts to adapt to the new norms under which China's economic growth is turning from high-speed to medium-high speed, and to the adjustment of its industrial structure. Meanwhile, the annual GDP of Hong Kong increased modestly by 2.4%, which was 0.2 percentage point below the level in 2014.

In 2015, visitor arrivals to Hong Kong decreased by 2.5% year-on-year to a total of just over 59.3 million. This was the first time that Hong Kong has witnessed a negative growth in total visitor arrivals year-on-year since 2004. Based on a hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories for 2015 was 86.0%, a decrease of 4 percentage points from 2014, while the industry-wide achieved average room rate recorded a downward adjustment of 9.2%, resulting in a year-on-year decline of 13.3% in the Revenue per Available Room (RevPAR).

A number of adverse factors, including the hangover effects from the "Occupy Central" movement in late 2014 and the "Anti-parallel trade" activities during the first quarter of 2015, a strong Hong Kong dollar and the increased competition from other countries, continued to negatively impact on the tourist and hotel markets in Hong Kong in 2015. Overall business conditions for the hotel industry for the year have been challenging and hotel operators generally had to trade in room rates to maintain occupancies.



### HOTEL OWNERSHIP

#### REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2015, the Group held approximately 74.6% of the total outstanding issued units of Regal REIT while Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, acts as the REIT Manager.

For the year ended 31st December, 2015, Regal REIT recorded a consolidated net loss before distributions to Unitholders of HK\$1,527.8 million, while for the financial year 2014, a consolidated net profit of HK\$238.5 million was reported. The consolidated loss recorded for 2015 was principally attributable to an accounting loss of HK\$2,049.5 million arising from the fair value changes in the appraised values of the hotel portfolio owned by Regal REIT between the two year end dates, after having taken into account the amount of capital expenditure incurred. If the effects of these fair value changes are excluded, the core profit before distributions to Unitholders for the year under review would amount to HK\$521.7 million, representing an increase of 3.2% over the corresponding amount of HK\$505.4 million for the preceding year.

Although the rental income received by Regal REIT from the five initial Regal Hotels and the net hotel income from its self-operated iclub Wan Chai Hotel fell short of the amounts achieved in 2014 due to the weaker market conditions, 2015 was the first full year of fixed rental receipts from both the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, which were acquired in February and July 2014, respectively. Consequently, the total distributable income of Regal REIT has increased by 3.3% from HK\$532.9 million in 2014 to HK\$550.3 million for the year under review.

The five initial Regal Hotels are under lease to a wholly owned subsidiary of the Company and their operating results for the year are highlighted in the paragraph headed "Hotel Operations" below. The iclub Wan Chai Hotel, which is owned and self-operated by Regal REIT, continued to enjoy good demand and while it was able to maintain close to full occupancy, the average room rate has dropped by 17.8% due to keen price competition. As previously reported, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel have also been leased to the Group's hotel operating subsidiary and in 2015 generated for Regal REIT their first full year cash rental receipts for a total of HK\$166.8 million.

Regal REIT now owns a total of eight operating hotels in Hong Kong, with an aggregate of 4,569 guestrooms and suites. The current portfolio of properties comprises a good mixture of full-service type hotels and select-service type hotels in strategic locations, which can cater to different demands from a wide range of business and leisure visitors to Hong Kong. The REIT Manager will constantly review the performance of each property and evaluate any potential yield enhancement opportunities.

As reported earlier, the independent unitholders of Regal REIT have at an extraordinary general meeting of Regal REIT held on 14th April, 2015 approved, among others, the extension of the existing lease agreements for the five initial Regal Hotels for another 5 years to 31st December, 2020, with the market rental packages for the extended terms continuing to be determined annually by a jointly appointed independent professional property valuer.

### HOTEL OPERATIONS

Apart from the iclub Wan Chai Hotel, all the five initial Regal Hotels and the two latest iclub Sheung Wan Hotel and iclub Fortress Hill Hotel are under lease to the wholly owned hotel operating subsidiary of the Company for hotel operations.

For the year under review, the five initial Regal Hotels have as a whole managed to achieve relatively satisfactory performance amidst a competitive environment. The combined average occupancy rate for 2015 was 86.1%, which was in-line with the market average, while the average room rate has dropped by 6.0% year-on-year. These translated into a decrease in RevPAR of 12.4% which, nevertheless, was comparatively better than the industry norm.

Total hotel revenue for the five initial Regal Hotels for the year amounted to HK\$1,894.6 million, a slight decrease of 6.6% from the HK\$2,028.6 million in the preceding year. Total net property income amounted to HK\$796.3 million, which represented an excess of HK\$33.3 million over the aggregate annual base rent of HK\$763.0 million for 2015, 50% of which was attributable to Regal REIT as variable rent.

It is worth mentioning that, apart from various other awards obtained, the Regal Airport Hotel has been awarded in 2015 "The Best Airport Hotel in the World" by Business Traveller UK Magazine for the 8th consecutive year and "The Best Airport Hotel in Asia-Pacific" by Business Traveller Asia-Pacific Magazine for the 15th consecutive year. Benefiting from the growing traffic at the Hong Kong International Airport, the Regal Airport Hotel is frequented by business travellers and is also a favourite venue for the hosting of major meetings and conferences and, for the year under review, has been able to achieve a net property income which is higher than the level attained in 2014.

Due to the increased banqueting functions, the overall food and beverage businesses for the five initial Regal Hotels have achieved improvements and generated aggregate revenues of HK\$626.8 million, representing an increase of 7.9% over that in 2014.

2015 was the first full year of operations for both the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, which commenced business operations in June and September 2014, respectively. The combined average occupancy rate for these two hotels for the year was 85.6% but, due to the competitive market conditions, their combined average room rate was 14.7% below the level attained in the preceding year, particularly that the period in which they operated in 2014 was comparatively the higher season. As new starters in such a competitive environment, the growth in the hotel businesses attained by these two hotels since their commencement of operations could be considered as satisfactory. Although the net property income for both the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel for 2015 is below the fixed base rent payable to Regal REIT, under the agreed arrangements with P&R Holdings Limited, a 50:50 joint venture established by the Company with Paliburg Holdings Limited and which is the vendor of the hotels, any shortfall in the income from the operation of the two hotels below the lease payments payable by the lessee during the first three years of the lease terms will be fully reimbursed to the lessee by P&R Holdings.

As mentioned above, the lease terms for the five initial Regal Hotels have been extended for five years to 31st December, 2020 and the market rental review for 2016 has also been completed in September 2015. The annual base rent for 2016 was determined at HK\$732.0 million, reflecting a slight reduction of 4.1% below the annual base rent of HK\$763.0 million for 2015, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income of the five hotels over the aggregate base rent.

The La Mola Hotel & Conference Centre located in Barcelona, Spain was acquired by the Group in October 2014. The hotel is presently operated under an external franchise arrangement. The Group is now finalising plans to remodel and upgrade the hotel to an international 5-star standard and the works are expected to be commenced within this year.

To meet the challenges ahead, the Group is continuing to streamline its hotel operating structure and to take advantage of its scale of operations through the centralisation of a number of operating functions, with a view to further containing operating costs. The Group will also continue to commit resources to enhance its marketing network and to promote the brand awareness of the Regal Hotels.

### HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Group, is the hotel manager providing hotel management services to all the five full-service Regal Hotels and the three select-service iclub Hotels owned by Regal REIT in Hong Kong.

In China, the Group is now providing hotel management services to nine operating hotels, including four in Shanghai, two in Dezhou, one in Xi'an, and the latest two in Foshan and Zhengzhou. The Regal Financial Center Hotel in Foshan is a luxury hotel that was opened in December 2015, which provides 230 guestrooms, 3 restaurants, a 500 square metres pillarless ballroom and 11 multi-function rooms. Most recently, the first iclub hotel managed by the Group in China, the iclub Yuhong Hotel in Zhengzhou, was officially opened in February 2016, providing 186 guestrooms and a café for business and leisure travellers. Six other hotels are in the pipeline for opening in 2017 and 2018.

The Group is also managing the La Mola Hotel & Conference Centre in Barcelona owned by the Group.

### PROPERTIES

The Group's property development business is primarily undertaken through P&R Holdings, the 50:50 joint venture with Paliburg, the immediate listed holding company of the Company. The property market in Hong Kong went through some consolidation during the latter part of the year under review but this is believed to be beneficial to the healthy development of the local real estate market in the longer term. The Government of Hong Kong is committed to providing a steady supply of development lands to maintain overall market stability. Like in the past, the Group will continue to actively participate through P&R Holdings in the government land tenders.

As reported in the Interim Report 2015, all the 134 studio apartment units, named Domus, in the residential project at Tan Kwai Tsuen Road in Yuen Long undertaken by P&R Holdings have been presold in June 2015. The sale programme for the 36 luxurious garden houses, named Casa Regalia, which constitute the main component of the project, is planned to be launched in the second quarter of this year. The occupation permit for the project was issued in the fourth quarter of 2015 and the certificate of compliance is anticipated to be obtained shortly. The profit attributable to the presale of the Domus apartment units has been reflected in the results of the Group for the year under review.

In August 2015, P&R Holdings further launched the sale programme for the ten residential duplex units remaining in Rainbow Lodge in Yuen Long and all the ten units have been sold in a short period of time.

To replenish its land bank following the disposals of the two hotel development projects in Sheung Wan and Fortress Hill to Regal REIT in 2014, P&R Holdings successfully secured from the Urban Renewal Authority in June 2015 the contract for the development of a new hotel project located at Anchor Street/Fuk Tsun Street in Tai Kok Tsui, Kowloon, which is planned to be developed into a multi-storey hotel building comprising about 288 guest rooms, with ancillary accommodation.

Further details on the development projects and properties of P&R Holdings, including those undertaken in China by Cosmopolitan International Holdings Limited, the listed subsidiary of P&R Holdings, are contained in the section headed "Management Discussion and Analysis" in this Annual Report.

The Group sold in May 2015 one of the retained houses in Regalia Bay, Stanley and the profit derived has been reflected in the results under review. Most recently, in March 2016, a formal agreement has been entered into for the sale of another vacant house. The Group still retains a total of 17 luxury garden houses in Regalia Bay, while certain of these houses will be held for rental income, the other retained houses will continue to be disposed of on appropriate terms from time to time.

### OTHER INVESTMENTS

The Group maintains a sizable investment portfolio comprising listed securities, investment funds, bonds as well as treasury and yield enhancement products, including the holding of approximately 12% interest in the issued shares of Asia Standard Hotel Group Limited, a company listed in Hong Kong principally engaged in hotel and investment businesses. Despite the volatilities in the financial and capital markets, the Group's investment portfolio has generated a positive profit contribution during the year.

The Group first embarked on the aircraft ownership and leasing business in 2012 with the acquisition of an Airbus A321-211 aircraft, followed by the acquisition in 2013 of an 85% interest in another Airbus A321-200 aircraft. In 2015, the Group successfully expanded its fleet of aircraft with the acquisitions in February and November, respectively, of a total of 16 Embraer aircraft for an aggregate purchase price of US\$48.5 million, four of which have subsequently been sold since their acquisitions during the year, realising satisfactory capital profits. As at 31st December, 2015, the Group's aircraft fleet comprises a total of 14 aircraft, including two Airbus A321 model aircraft and 12 Embraer ERJ-135 and ERJ-145 model aircraft. Except for one Airbus aircraft which is 85% owned, all the other aircraft are wholly owned, of which twelve are under leases to airline operators operating in different parts of the world and yielding steady recurring rental income. The other two remaining Embraer aircraft are pending disposal. The Group plans to further expand its aircraft ownership and leasing business, including the size and the composition of its aircraft fleet, with the objective that this new line of business will ultimately be developed into a separately operated business unit.

### OUTLOOK

The market conditions for the tourist and hotel industry in Hong Kong in the first two months of 2016 have continued to be competitive and challenging. Moreover, the divergent socio-political sentiments presently prevailing in Hong Kong, the slowing down of the pace of economic growth in China and the increased geopolitical tensions and volatilities in the financial markets globally are creating additional uncertainties.

In an effort to support the local tourism and to uphold Hong Kong's image as one of the preferred travel destinations in the world, the Hong Kong Government and the Hong Kong Tourism Board have since last year organised, on top of all its regular programs, a series of marketing and promotional events including the Hong Kong Summer Fun campaign in June 2015 and the setup of the Matching Fund for Overseas Tourism Promotion by Tourist Attractions in last September. It is also anticipated that the Hong Kong Government will continue to commit sufficient resources to develop and expand new tourism attractions and to enhance and upgrade all infrastructural facilities, ensuring that Hong Kong will have sufficient capacities to accommodate and serve the demands of an increasing number of global and regional visitors.

The Group strongly believes in the resilience of Hong Kong and in its ability to maintain its position as a favourite tourist destination, for both business and leisure travellers alike. Although it is not expected that there could be a speedy recovery in the local tourism and hotel markets within the very near term, the Group remains confident of their long term prospects. Regal REIT is the only listed hospitality REIT with market concentration in Hong Kong and the REIT Manager is committed to maintaining Regal REIT's leading position as one of the pre-eminent hotels owners in Hong Kong. The REIT Manager will continue to prudently review acquisition opportunities, both locally and overseas, which can serve to strengthen and broaden the revenue base of Regal REIT.

The Group has a solid asset base, distributed amongst hotels, properties and other investments, which is generating steady recurring revenues. The Group anticipates that the global economies in 2016 may continue to be volatile. While the Group will strive to strengthen and build on its existing core businesses, it will also closely monitor, albeit cautiously, any available acquisition and investment opportunities which are beneficial to the Group's ongoing development.

## Chairman's Statement (Cont'd)

### **DIRECTORS AND STAFF**

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

### **LO YUK SUI**

Chairman

Hong Kong  
22nd March, 2016



# REGAL AIRPORT HOTEL

CHEK LAP KOK • HONG KONG



■ Presidential Suite



■ Airport Izakaya



■ Grand Ballroom

CAUSEWAY BAY • HONG KONG



■ Imperial Suite



## REGAL HONGKONG HOTEL



■ Hotel Lobby



■ Café Rivoli



# REGAL KOWLOON HOTEL

TSIMSHATSUI • HONG KONG



■ Executive Suite



■ Versailles Ballroom



■ Café Allegro





KOWLOON CITY • HONG KONG



■ Presidential Suite

## REGAL ORIENTAL HOTEL



■ Superior Room



■ The China Coast Pub + Restaurant



# REGAL RIVERSIDE HOTEL

SHA TIN • HONG KONG



■ Superior Room



■ Riverside Ballroom



■ Aji Bou Izakaya

WAN CHAI • HONG KONG



■ iSuite



■ iLounge



■ Hotel Lobby



# iclub WAN CHAI HOTEL



SHEUNG WAN • HONG KONG



■ iResidence



■ iLounge



■ Hotel Lobby

# iclub SHEUNG WAN HOTEL

FORTRESS HILL • HONG KONG



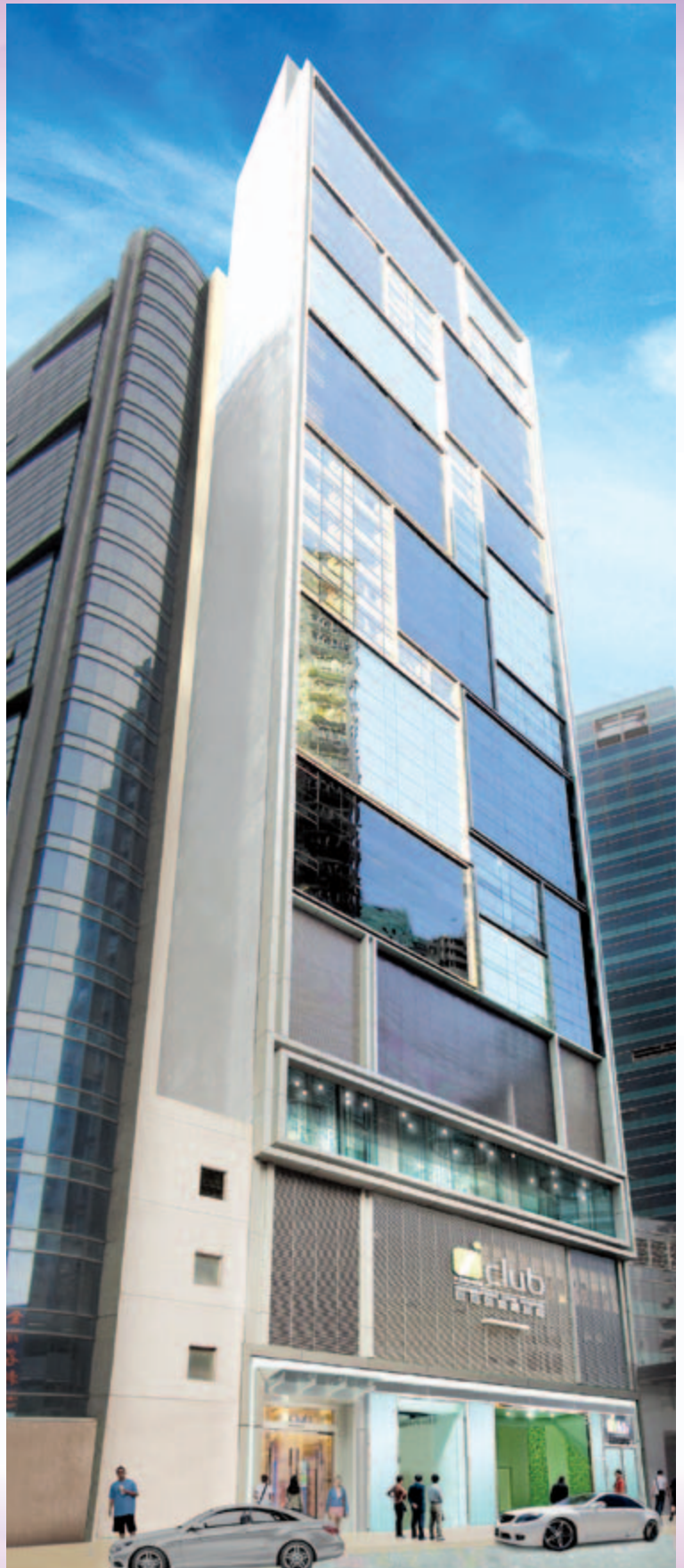
■ iSelect Premier



■ iLounge



■ Hotel Lobby



# iclub FORTRESS HILL HOTEL

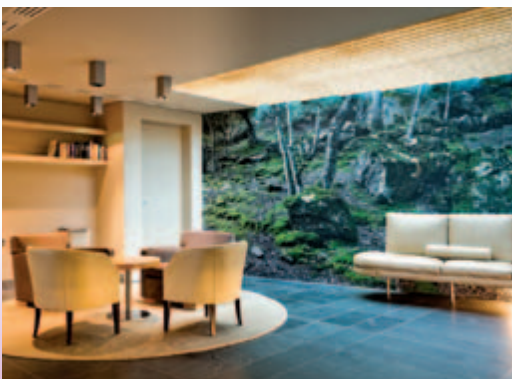


# LA MOLA HOTEL & CONFERENCE CENTRE

BARCELONA • SPAIN



■ Conference Room



■ Lounge



■ Deluxe Room with Balcony

SHANGHAI • MAINLAND CHINA



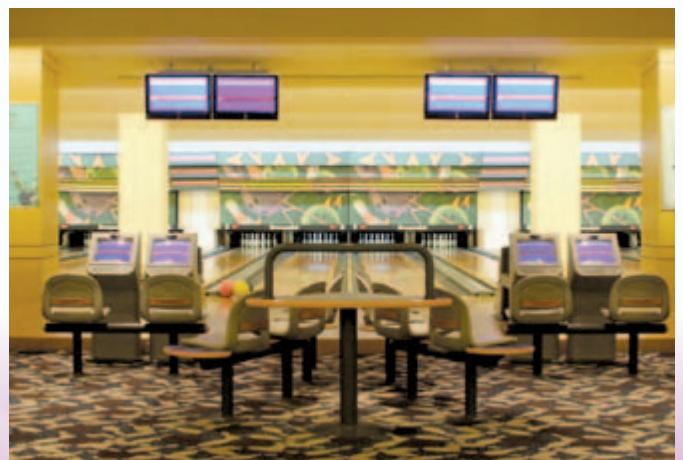
■ Emerald Ballroom



## REGAL INTERNATIONAL EAST ASIA HOTEL



■ Premier Room



■ Bowling Alley



# REGAL SHANGHAI EAST ASIA HOTEL

SHANGHAI • MAINLAND CHINA



■ Executive Club Suite



■ Tiffany Lounge



■ South Hall



SHANGHAI • MAINLAND CHINA



■ Deluxe Room



## REGAL JINFENG HOTEL



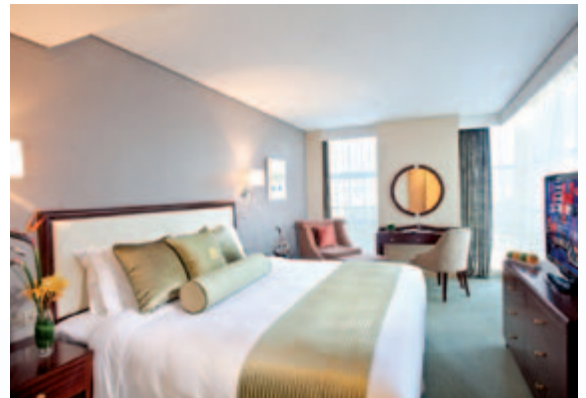
■ Regal Court



■ Rivoli Café



SHANGHAI • MAINLAND CHINA



■ Deluxe Suite

## REGAL PLAZA HOTEL & RESIDENCE



■ iLounge



■ Forum

DEZHOU • MAINLAND CHINA



■ Hotel Lobby



## REGAL KANGBO HOTEL



■ Business Centre



■ Asian Delights



DEZHOU • MAINLAND CHINA



■ Royal Suite Queen Room

## REGAL KANGBO HOTEL & RESIDENCE



■ Deluxe Suite Queen Room



■ iLounge

FOSHAN • MAINLAND CHINA



■ Regal Court



## REGAL FINANCIAL CENTER HOTEL



■ Executive Suite



■ Rivoli

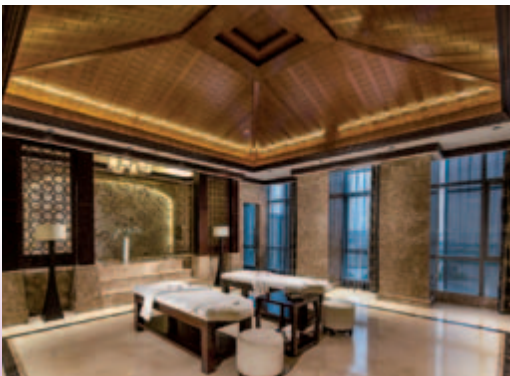


# REGAL AIRPORT HOTEL, XI'AN

XI'AN • MAINLAND CHINA



■ Suite Living Room



■ SPA



■ Tiffany Lounge

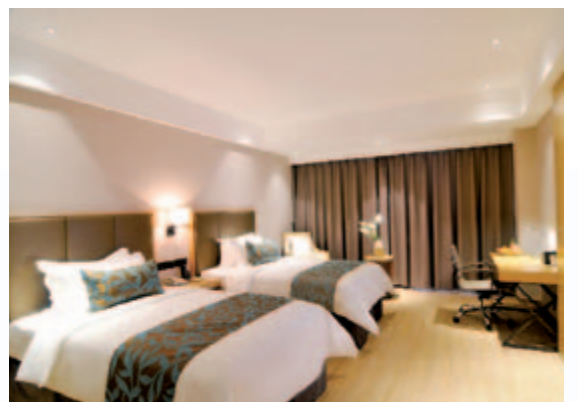


## iclub YUHONG HOTEL

ZHENGZHOU • MAINLAND CHINA



■ iclube



■ iBusiness



■ Hotel Lobby



■ Regal Royale Hotel (2017) – Kunshan, Mainland China (\*)



■ Regal Yuhong Hotel (2017) – Zhengzhou, Mainland China (\*)

★ Artist impression

# Year of opening pending confirmation

## COMING ADDITIONS



■ Regal Weinan Hotel (2018)  
– Weinan Mainland China (\*)



■ Regal Times Hotel  
– Yantai, Mainland China (\*) (#)



■ Regal World Trade Center Hotel  
– Anyang, Mainland China (\*) (#)





## REGALIA BAY

STANLEY • HONG KONG



■ Dining Room in a house



■ Study Room in a house



■ Living Room in a house

# JOINT VENTURE DEVELOPMENT



- The garden houses, named Casa Regalia, of the residential development at Lot No. 4309 in Demarcation District No. 124, Tan Kwai Tsuen Road, Yuen Long, New Territories (\*) (#)

## CASA REGALIA / DOMUS

HONG KONG

\* Artist impression



- The apartment block, named Domus, of the residential development (\*) (#)

# occupation permit for the residential development already issued



- Swimming pool in the clubhouse of the residential development (\*) (#)



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

## RESIDENTIAL / COMMERCIAL DEVELOPMENT

HONG KONG

★ Artist impression



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



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

## HONG KONG

★ Artist impression



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



- Hotel development at Anchor Street/Fuk Tsun Street, Tai Kok Tsui, Kowloon – general building plans pending approval (\*)



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

# HOTEL DEVELOPMENT



■ The shopping mall and commercial towers in the first stage of the composite development in Xindu District, Chengdu, Sichuan (\*)

★ Artist impression

## COMPOSITE DEVELOPMENT



■ Three residential towers in the first stage of the composite development – nearing completion



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



■ Lobby of Regal Xindu Hotel (\*)



■ A composite commercial/office/residential development in a prime location of Hedong District, Tianjin (\*)

★ Artist impression

## COMPOSITE DEVELOPMENT



■ Show flat in modern western style of residential apartment in the composite development



■ Show flat in modern Chinese style of residential apartment in the composite development



■ Superstructure works of the residential towers of the composite development in progress



■ Airbus A321-211

## OTHER INVESTMENTS

### AIRCRAFT OWNERSHIP AND LEASING



■ Airbus A321-200



■ ERJ-145 Embraer Aircraft



■ ERJ-135 Embraer Aircraft

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("P&R Holdings") and the interest in the retained houses in Regalia Bay in Stanley, aircraft ownership and leasing business and other investments including financial assets investments.

The performance of the Group's hotel, property and other investment businesses as well as that of Regal REIT during the year under review, the commentary on the hotel and property sectors and the changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the sections headed "Financial Results", "Business Overview" and "Outlook", respectively, in the preceding Chairman's Statement as well as in this section.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Business Overview" and "Outlook" in the preceding Chairman's Statement, and in this section.

## JOINT VENTURE – P&R HOLDINGS LIMITED

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

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

### Hong Kong

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

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

This residential project has a site area of approximately 11,192 square metres (120,470 square feet) and providing a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The presale programme for the units in the apartment block, named Domus, was formally launched in June 2015 and all the 134 units were sold in one day. The sale programme for the 36 garden houses, named Casa Regalia, which constitute the main component of the development, is planned to be launched in the second quarter of this year. The occupation permit for the project has been issued in the fourth quarter of 2015 and the certificate of compliance is anticipated to be obtained shortly.



## Management Discussion and Analysis (Cont'd)

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

The project has an aggregate site area of approximately 700 square metres (7,535 square feet) and is being developed into a hotel with 340 guestrooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet) and covered floor area of approximately 9,490 square metres (102,160 square feet). The superstructure works have been substantially completed and the occupation permit is expected to be issued in the fourth quarter of 2016.

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

This development site has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site is planned to be developed into a shopping mall. The foundation works have been completed and the superstructure works contract has been awarded. The project is scheduled to be completed in 2017 and is intended to be retained for rental income.

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

The project has a site area of 17,476 square metres (188,100 square feet) and is planned for a luxurious residential development comprising 7 mid-rise apartment blocks with about 136 units, 24 detached garden houses and 198 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The general building plans for the development have been approved and the site formation works and foundation works are expected to be completed in the second quarter of 2016. The completion of this development is presently scheduled for 2018.

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

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). The foundation works have been completed and further construction works will be proceeded with when the technical problems in relation to the adjoining building are resolved.

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

This is a joint venture project awarded by the Urban Renewal Authority of Hong Kong through a tender process in March 2014. The land has a site area of 824.9 square metres (8,879 square feet) and is planned for a commercial/residential development with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement carpark. The superstructure works are in progress and the development is scheduled to be completed in 2017. The presale of the units in this development is planned to be marketed in the second quarter of this year.

### *Anchor Street/Fuk Tsun Street, Tai Kok Tsui, Kowloon*

This is a hotel development project also awarded by the Urban Renewal Authority of Hong Kong through a tender process in June 2015. The project has a site area of 725.5 square metres (7,809 square feet) and total permissible gross floor area of approximately 6,529 square metres (70,278 square feet) and is planned to be developed into a multi-storey hotel building comprising about 288 guest rooms, with ancillary accommodation. The general building plans have been submitted to the Building Authority for approval.

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

These properties comprise ten residential duplex units with gross area of approximately 1,832 square metres (19,720 square feet) and 14 car parks in a completed residential development. The sale programme was launched in August 2015 and all the ten residential units and 13 car parks were sold within a short period of time.

## **COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED**

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

### **Property Development**

#### *Chengdu Project*

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 residential units with car parking spaces and ancillary commercial accommodation. The construction works for these three residential towers are expected to be completed before the end of this year and the units presale is anticipated to be launched in the second quarter of this year. Having considered the current local market environment, a series of business remodeling works are being planned for the hotel, which is now anticipated to be completed in phases from early 2017. The second stage of the development comprises six residential towers with about 960 units, the construction works for which are in progress and are scheduled to be completed in the second quarter of 2017. Presale of the units is expected to be launched before the end of this year. The other components comprised within the overall development will continue to be developed in stages.

#### *Tianjin Project*

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres, which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres. The sub-structure works for the project have been completed and superstructure works of the four residential towers are progressing. The presale of the first two residential towers comprising 256 residential units has been launched in October 2015. Up to date, more than 96% of the units have been presold, realising contracted sale considerations in excess of RMB671 million. The remaining two residential towers with 256 residential units and the commercial complex comprising mainly shops of about 19,000 square metres are presently planned to be marketed for presale later this year. The entire development is anticipated to be completed in stages from 2017.

### *Xinjiang Project*

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

There has been some delay in the carrying out of the requisite remedial re-forestation works and the original schedule planned for the inspection by the relevant government authorities has been affected. The Cosmopolitan group has taken steps to reorganise the local management team and has also appointed professional advisers to co-ordinate and assist on the necessary protective measures, with a view to restoring normal business operations for the project. Based on legal advice obtained, the legitimate interests of the Cosmopolitan group in this re-forestation and land grant contract remain valid and effective. The Cosmopolitan group is planning to have the required remedial re-forestation works carried out as soon as practicable, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land can be concluded. Should the Cosmopolitan group successfully secure the development land and depending on the permitted land use, the Cosmopolitan group preliminarily plans to develop on the land, in stages, a large scale mixed use development comprising residential, hotel, recreational and commercial properties.

### **ASSOCIATE – HANG FOK PROPERTIES LIMITED**

Hang Fok Properties Limited (“Hang Fok”) is an entity that is 50% beneficially owned by each of the Paliburg group and the Group. Hang Fok holds equity interests in a joint venture project company involved in a development project in the Central Business District in Beijing, the PRC. As previously reported, Hang Fok was engaged in a series of legal actions in the PRC with the other joint venture parties in the Beijing project, some of which were initiated by Hang Fok to protect its equity interests in the Beijing project. Appropriate provisions had been made by Hang Fok in the prior years and the interest held by the Group in the project was carried in the consolidated financial statements at an insignificant amount as at 31st December, 2013. In the process of the legal actions taken, the other joint venture parties have funded the joint venture project company and procured the latter to deposit an amount of approximately RMB195 million into the court in the PRC in August 2014, as repayment proceeds of certain of the shareholder’s loans, plus accrued interest thereon, made by Hang Fok to the joint venture project company. Accordingly, Hang Fok had written back loans receivable and recognised related interest income of approximately HK\$159.0 million and HK\$84.2 million respectively, and the share attributable to the Group was reflected in the results of the Group in the financial year ended 31st December, 2014. The aforesaid sum of RMB195 million (net of incidental expenses) has been received by Hang Fok in February 2016 through payment from the PRC court, and Hang Fok is pursuing further claims against the joint venture project company for other interest due. The Group will continue to exercise strenuous efforts with a view to salvaging the value of the Group’s interest in this development project.

## FINANCIAL REVIEW

### ASSETS VALUE

The Group's hotel properties in Hong Kong are owned by Regal REIT and, with the exception of iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, were stated in the financial statements at their fair values as at 23rd July, 2010 when Regal REIT became a subsidiary of the Group, plus subsequent capital additions and deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel were stated in the Group's financial statements at their fair values at the time of acquisition net of the unrealised gain attributable to the Group and are also subject to depreciation. For the purpose of providing supplementary information, if the Group's entire hotel property portfolio in Hong Kong is restated in the consolidated financial statements at its market value as at 31st December, 2015, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$18.66 per share, as follows:

	<b>As at 31st December, 2015</b>	
	<b>HK\$'M</b>	<b>HK\$ per ordinary share</b>
Book net assets attributable to equity holders of the parent	<b>11,863.0</b>	<b>12.84</b>
Adjustment to restate the Group's hotel property portfolio at its market value and add back the relevant deferred tax liabilities	<u><b>5,382.6</b></u>	<u><b>5.82</b></u>
Unaudited adjusted net assets attributable to equity holders of the parent	<u><u><b>17,245.6</b></u></u>	<u><u><b>18.66</b></u></u>

## CAPITAL RESOURCES AND FUNDING

### Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits, and treasury and yield enhancement products are deployed when circumstances are considered to be appropriate.

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

### Cash Flows

During the year under review, there were net cash flows generated from operating activities of HK\$808.5 million (2014 – HK\$767.7 million). Net interest payment for the year amounted to HK\$138.3 million (2014 – HK\$116.2 million).

### Borrowings and Gearing

As at 31st December, 2015, the Group had cash and bank balances and deposits of HK\$1,573.2 million (2014 – HK\$1,818.0 million) and the Group's borrowings net of cash and bank balances and deposits amounted to HK\$9,135.6 million (2014 – HK\$9,289.3 million).

As at 31st December, 2015, the gearing ratio of the Group was 36.0% (2014 – 35.9%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$9,135.6 million (2014 – HK\$9,289.3 million) as compared to the total assets of the Group of HK\$25,342.6 million (2014 – HK\$25,849.9 million).

On the basis of the adjusted total assets as at 31st December, 2015 of HK\$32,011.5 million (2014 – HK\$34,209.2 million) with the Group's hotel portfolio restated at its market value, the gearing ratio would be 28.5% (2014 – 27.2%).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2015 are shown in notes 26 and 27 to the financial statements.

### Pledge of Assets

As at 31st December, 2015, certain of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$462.1 million (2014 – HK\$454.6 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Group's property, plant and equipment, investment properties, properties held for sale, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances in the total amount of HK\$11,412.8 million (2014 – HK\$11,780.0 million) were also pledged to secure other banking facilities granted to the Group.

The above details of the pledge of assets of the Group are also shown in note 36 to the financial statements.

### Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2015 are shown in note 39 to the financial statements.

### Contingent Liabilities

As at 31st December, 2015, the Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a joint venture in the amount of HK\$3,123.5 million (2014 – HK\$2,363.0 million), of which HK\$1,540.1 million (2014 – HK\$1,100.2 million) was utilised.

Details of the contingent liabilities of the Group are also shown in note 37 to the financial statements.

### Share Capital

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

### MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

During the year under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

### STAFF AND REMUNERATION POLICY

The Group employs approximately 1,930 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

With a view to providing long term incentives, the Company maintained a share option scheme named as "The Regal Hotels International Holdings Limited Share Option Scheme", under which share options had been granted to selected eligible persons. The life of the share option scheme of the Company ended on 15th June, 2015.

# Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and its subsidiaries for the year ended 31st December, 2015.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("P&R Holdings") and the interest in the retained houses in Regalia Bay in Stanley, aircraft ownership and leasing business, and other investments including financial assets investments. There have been no significant changes in the above activities during the year.

The turnover and contribution to trading results by each principal activity are set out in note 4 to the financial statements.

## FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2015 and the Group's financial position at that date are set out in the financial statements on pages 72 to 170.

## DIVIDENDS

An interim dividend of HK4.0 cents (2014 – HK4.0 cents) per ordinary share, absorbing an amount of approximately HK\$37.0 million (2014 – HK\$37.0 million), was paid to the holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK9.0 cents (2014 – HK12.0 cents) per ordinary share for the year ended 31st December, 2015, absorbing an amount of approximately HK\$83.2 million (2014 – HK\$110.9 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 13th June, 2016.

## ANNUAL GENERAL MEETING

The 2016 Annual General Meeting of the Company will be convened to be held on Thursday, 2nd June, 2016. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the "Circular") to be sent to the shareholders, together with this Annual Report.

## BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622) of Hong Kong, including a description of the principal risks and uncertainties facing the Group, material events that have occurred since the year end date and an indication of likely future development in the Group's business are contained in the preceding Chairman's Statement and Management Discussion and Analysis set out on pages 6 to 12 and pages 39 to 45, respectively, of this Annual Report. Those discussions form part of this Report of the Directors. In addition, details of the Group's financial risk management are disclosed in note 42 to the financial statements.

### CLOSURE OF REGISTER

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

- (i) from Tuesday, 31st May, 2016 to Thursday, 2nd June, 2016, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2016 Annual General Meeting. In order to be entitled to attend and vote at the 2016 Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (the "Branch Registrar"), no later than 4:30 p.m. on Monday, 30th May, 2016; and
- (ii) from Wednesday, 8th June, 2016 to Monday, 13th June, 2016, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Branch Registrar no later than 4:30 p.m. on Tuesday, 7th June, 2016.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 23rd June, 2016.

### DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui  
Miss Lo Po Man  
Dr. Francis Choi Chee Ming, GBS, JP  
Ms. Belinda Yeung Bik Yiu  
Mr. Donald Fan Tung  
Ms. Alice Kan Lai Kuen  
Professor Japhet Sebastian Law  
Mr. Jimmy Lo Chun To  
Mr. Kenneth Ng Kwai Kai  
Mr. Ng Siu Chan  
Mr. Allen Wan Tze Wai  
Mr. Wong Chi Keung

During the year, there have been no changes in the Directors of the Company.

In accordance with Bye-law 109(A) of the Bye-laws of the Company, the following Directors will retire from office by rotation at the 2016 Annual General Meeting:

- (i) Miss Lo Po Man (Vice Chairman and Managing Director);
- (ii) Professor Japhet Sebastian Law (Independent Non-Executive Director);
- (iii) Mr. Kenneth Ng Kwai Kai (Executive Director); and
- (iv) Mr. Allen Wan Tze Wai (Executive Director).



All the above retiring Directors, being eligible, have offered themselves for re-election at the 2016 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), will be set out in the Circular.

The Company has received from each of the four incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as otherwise disclosed, none of the Directors of the Company nor a connected entity of the Directors had any beneficial interests, whether direct or indirect, in any significant transactions, arrangements or contracts to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party at the end of the reporting period or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the share option scheme of the Company named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Regal Share Option Scheme"), the share option scheme of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, named as "The Century City International Holdings Limited Share Option Scheme" and the share option scheme of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company, named as "The Paliburg Holdings Limited Share Option Scheme" (collectively, the "Schemes").

There were no options granted or exercised under any of the Schemes during the year. The life of all the Schemes ended on 15th June, 2015.

### **PERMITTED INDEMNITY PROVISION**

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

**DIRECTORS' INTERESTS IN SHARE CAPITAL**

As at 31st December, 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2015)
				Personal interests	Corporate interests	Family/Other interests	
1.	The Company	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	618,309,261 (Note c)	260,700	618,594,161 (66.94%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	–	–	50,240,000 (5.44%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	10,200	–	–	10,200 (0.001%)
2.	CCIHL	Mr. Lo Yuk Sui	Ordinary (issued)	109,591,396	1,769,164,691 (Note a)	380,683	1,879,136,770 (58.65%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	3,521,973	3,521,973 (0.11%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	24,000	–	–	24,000 (0.001%)

## Report of the Directors (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2015)
				Personal interests	Corporate interests	Family/Other interests	
3.	PHL	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,396,803 (Note b)	15,000	830,489,817 (74.51%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	80,474	80,474 (0.007%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	2,994,776,716 (Note e)	–	2,994,776,716
			(ii) (unissued)	–	4,683,461,057 (Note f)	–	4,683,461,057
						Total:	7,678,237,773 (180.65%)
			Preference (issued)	–	2,004,889,629 (Note f)	–	2,004,889,629 (85.46%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)

The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2015)
			Personal interests	Corporate interests	Family/Other interests	
5. Regal REIT	Mr. Lo Yuk Sui	Units (issued)	-	2,443,033,102 (Note g)	-	2,443,033,102 (74.99%)
6. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	1,000 (Note h)	-	1,000 (100%)

**Notes:**

- (a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").
- (b) The interests in 693,660,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.64% 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 58.64% shareholding interests. The interests in 598,193,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 62.23% shareholding interests. The interests in the other 19,694,000 issued ordinary shares of the Company were held through a wholly owned subsidiary of Cosmopolitan, in which P&R Holdings Limited ("P&R Holdings") (which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries) held 64.26% shareholding interests. PHL held 66.87% shareholding interests in the Company.
- (d) The interests in 269,169 issued ordinary shares of the Company were held by Miss Lo Po Man as the beneficiary of a trust.

- (e) The interests in 2,731,316,716 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. The interests in the other 263,460,000 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. PHL, in which CCIHL held 62.23% shareholding interests, held 66.87% shareholding interests in the Company. Mr. Lo held 58.64% shareholding interests in CCIHL.
- (f) The interests in 4,683,461,057 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.23% shareholding interests, held 66.87% shareholding interests in the Company. Mr. Lo held 58.64% shareholding interests in CCIHL.

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

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

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

- (g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. Cosmopolitan was held as to 64.26% shareholding interests by P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.23% shareholding interests, held 66.87% shareholding interests in the Company. Mr. Lo held 58.64% shareholding interests in CCIHL.
- (h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.64% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 31st December, 2015, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Regal Share Option Scheme with options granted in excess of the individual limit;
- (iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;
- (iv) any supplier of goods or services; and
- (v) any other participants under the Regal Share Option Scheme.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2015, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 31st December, 2015
YSL International Holdings Limited ("YSL Int'l") (Note i)	618,309,261	–	618,309,261	66.91%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	618,309,261	–	618,309,261	66.91%
CCIHL (Note iii)	618,309,261	–	618,309,261	66.91%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	618,309,261	–	618,309,261	66.91%
PHL (Note v)	617,887,861	–	617,887,861	66.87%
Paliburg Development BVI Holdings Limited (Note vi)	617,887,861	–	617,887,861	66.87%
Guo Yui Investments Limited (Note vi)	271,140,466	–	271,140,466	29.34%
Paliburg BVI Holdings Limited (Note vi)	230,870,324	–	230,870,324	24.98%
Taylor Investments Ltd. (Note vi)	154,232,305	–	154,232,305	16.69%
Glaser Holdings Limited (Note vi)	58,682,832	–	58,682,832	6.35%

### Notes:

- (i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.
- (iii) CCIHL is owned as to 50.89% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.
- (iv) CCBVI is a wholly owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (v) PHL is a listed subsidiary of CCIHL, which held 62.23% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (vi) These companies are wholly owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31st December, 2015, 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, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of CCIHL and PHL.
- (4) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To and Mr. Kenneth Ng Kwai Kai are directors of all the above-mentioned wholly owned subsidiaries of CCIHL and PHL.



### CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30th June, 2015 is set out below:

Name of Director	Details of changes
<i>Executive Directors:</i>	
Mr. Lo Yuk Sui	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$380,000 commencing from January 2016. (Notes)</li></ul>
Miss Lo Po Man	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$130,000 commencing from January 2016. (Note (i))</li></ul>
Ms. Belinda Yeung Bik Yiu	<ul style="list-style-type: none"><li>Entitled to a monthly salary, based on services rendered to the Group, in an amount of HK\$208,000 commencing from January 2016. (Note (i))</li></ul>
Mr. Donald Fan Tung	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$80,800 commencing from January 2016. (Note (i))</li></ul>
Mr. Jimmy Lo Chun To	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$40,000 commencing from January 2016. (Note (i))</li></ul>
Mr. Kenneth Ng Kwai Kai	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$135,000 commencing from January 2016. (Note (i))</li></ul>
Mr. Allen Wan Tze Wai	<ul style="list-style-type: none"><li>Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$88,200 commencing from January 2016. (Note (i))</li></ul>
<i>Independent Non-Executive Director:</i>	
Mr. Wong Chi Keung	<ul style="list-style-type: none"><li>Appointed as an independent non-executive director and a member of the audit committee of China Shanshui Cement Group Limited, a company listed on the Stock Exchange, with effect from 2nd February, 2016.</li></ul>

#### Notes:

- (i) Each Executive Director is also entitled to a performance based discretionary bonus and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK\$100,000 per annum in acting as a Director of the Company. Details of the remuneration of the Executive Directors for the year ended 31st December, 2015 are disclosed in note 8 to the financial statements.
- (ii) Mr. Lo Yuk Sui and certain Independent Non-Executive Directors, who are also the chairman or members of the Nomination Committee and/or the Remuneration Committee of the Company, are entitled to normal fee of HK\$30,000 per annum in acting as the chairman or a member of each of such board committees. Details of the remuneration of all Directors for the year ended 31st December, 2015 are disclosed in note 8 to the financial statements.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

**DISCLOSURE PURSUANT TO RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES**

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Rule 13.22 of Chapter 13 of the Listing Rules relating to the information required to be disclosed under Rule 13.16:

**Financial Assistance provided to and Guarantees given for Affiliated Companies  
(Rule 13.16 of Chapter 13)**

Details of the financial assistance provided to affiliated companies by the Group as at 31st December, 2015 are set out below:

Name of Affiliated Companies		Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Banking Facilities	
				(i) Principal Amount of Banking Facilities (HK\$'million)	(ii) Amount of Banking Facilities Drawdown (HK\$'million)
8D International (BVI) Limited	(A)	8.8	–	Nil	Nil
8D Matrix Limited	(B)	45.0	–	Nil	Nil
Bright Future (HK) Limited	(C)	5.6	–	Nil	Nil
Yieldtop Holdings Limited	(D)	3.1	–	Nil	Nil
P&R Holdings Limited	(E)	<u>2,079.4</u>	(F) <u>18.9</u>	(G)(i) <u>3,123.5</u>	(G)(ii) <u>1,540.1</u>
				Total: (A) to (G)(i)	<u>5,284.3</u>
				(A) to (F) & (G)(ii)	<u>3,700.9</u>

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of the Company, which was principally involved in the development and distribution of technologically advanced security and building related systems and software development and promotions businesses. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by CCIHL and 60% by Mr. Lo through his close associates (as defined in the Listing Rules). The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D-BVI, for the purpose of financing the working capital of 8D-BVI. The advances are unsecured, interest-free and have no fixed terms of repayment.

8D Matrix Limited ("8D Matrix") is a 30% owned associate of the Company, which owns a wholly owned subsidiary involved in advertising and promotion businesses. 8D Matrix also owns two wholly owned subsidiaries, Century Innovative Technology Limited and 深圳市世紀創意科技有限公司 (collectively, "Century Innovative Technology"), which are principally engaged in the online education, entertainment and technology business based on the "Bodhi and Friends" characters. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL and 60% indirectly by Mr. Lo through his close associates (as defined in the Listing Rules). The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D Matrix, for the purpose of financing the working capital of 8D Matrix and Century Innovative Technology. The advances are unsecured, interest-free and have no fixed terms of repayment.

Bright Future (HK) Limited ("Bright Future"), a 50% owned associate of the Company, owns a 90% effective equity interest in a foreign enterprise engaged in the operation of a hotel in Qinghai in the People's Republic of China (the "PRC") which had been disposed of. The remaining 50% shareholding interest in Bright Future and the remaining 10% equity interest in the aforesaid foreign enterprise are owned by independent third parties respectively, which are not connected persons (as defined in the Listing Rules) of the Company. The advances to Bright Future were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Bright Future, for the purpose of funding the working capital requirements of Bright Future. The advances to Bright Future are unsecured, interest-free and have no fixed terms of repayment.

Yieldtop Holdings Limited ("Yieldtop"), a 50% owned associate of the Company, holds certain shareholding interests in two investee companies (the "Investee Companies"), which were established as Sino-foreign cooperative joint ventures in the PRC and principally engaged in the development project of a property complex at Chao Yang Men Wai Da Jie in the Central Business District of Beijing, the PRC. The remaining 50% shareholding interest in Yieldtop is indirectly held by PHL. The advances to Yieldtop were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Yieldtop, for the purpose of funding the working capital requirements of Yieldtop and its investment in the Investee Companies. The advances to Yieldtop are unsecured, interest-free and have no fixed terms of repayment.

P&R Holdings principally engages in the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities. P&R Holdings group holds, through its wholly owned subsidiaries, interests in a number of property development projects in Hong Kong and also holds, through Cosmopolitan (the listed subsidiary of P&R Holdings), interests in certain property development projects in Mainland China. Information relating to the investment of P&R Holdings group in such property development projects are disclosed in the preceding Management Discussion and Analysis. The advances to P&R Holdings were provided by a wholly owned subsidiary of the Company in the form of shareholder's loans in proportion to its shareholding interest in P&R Holdings. The advances to P&R Holdings are unsecured, interest-free and have no fixed terms of repayment except for an aggregate amount of HK\$1,578.0 million, which bears interest at a fixed rate of 4% to 5% per annum. The guarantees were provided by the Company on a several basis in proportion to its shareholding interests in P&R Holdings and were given in respect of the respective bank loan facilities of, in aggregate, HK\$3,123.5 million made available to seven wholly owned subsidiaries of P&R Holdings for financing their development projects in Hong Kong. Further information relating to the Group's share of the maximum capital commitment to P&R Holdings, the shareholder's loans provided by the Group under such commitment and the several guarantees provided by the Company for securing banking facilities granted to certain wholly owned subsidiaries of P&R Holdings is set out in note 15 to the consolidated financial statements.

Calculated on the basis shown above, as at 31st December, 2015, the aggregate amount of financial assistance provided to and bank guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$5,284.3 million (based on the total available amount of the banking facilities) and (b) HK\$3,700.9 million (based on the total amount of banking facilities drawdown) represented (a) 20.9% and (b) 14.6% of the consolidated total assets of the Group of HK\$25,342.6 million, calculated by reference to its latest audited consolidated financial statements for the year ended 31st December, 2015.

Save as disclosed above, there were no other financial assistance provided to or guarantees given for affiliated companies by the Group as at 31st December, 2015, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

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

	<b>Combined statement of financial position (HK\$'million)</b>	<b>The Group's attributable interest (HK\$'million)</b>
Non-current assets	5,376.9	2,686.0
Current assets	9,010.5	4,502.0
Current liabilities	(4,482.5)	(2,240.5)
Non-current liabilities	(6,832.8)	(3,380.6)
	3,072.1	1,566.9
Non-controlling interests	(306.6)	(153.3)
Net assets attributable to equity holders of the parent	2,765.5	1,413.6

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

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

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

### **PRE-EMPTIVE RIGHTS**

No pre-emptive rights exist in Bermuda, being the jurisdiction in which the Company is incorporated.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the purchases from the Group's five largest suppliers and the percentage of turnover or sales attributable to the Group's five largest customers combined in respect of goods and services was in each case less than 30% of the total amount involved.

### **BORROWINGS**

The details of the Group's borrowings at the end of the reporting period are set out in notes 26 and 27 to the financial statements.

### **SHARE CAPITAL AND SHARE OPTIONS**

The details of movements in the share capital and share options of the Company, together with the reasons therefor, during the year are set out in note 30 to the financial statements.

### **SHARE PREMIUM ACCOUNT**

The details of movements in the Company's share premium account during the year are set out in note 30 to the financial statements.

### **CAPITAL REDEMPTION RESERVE**

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

## HEDGE RESERVE

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

## CAPITAL RESERVE

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

## AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE

The details of movements in the available-for-sale investment revaluation reserve account during the year are set out in consolidated statement of changes in equity.

## EXCHANGE EQUALISATION RESERVE

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

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 1 to the financial statements.

## JOINT VENTURES AND ASSOCIATES

Particulars of the Group's investments in its joint ventures and associates are set out in notes 15 and 16 to the financial statements, respectively.

## CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$1.8 million.

## DISTRIBUTABLE RESERVES

As at 31st December, 2015, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$5,586.4 million, of which HK\$83.2 million has been proposed as final dividend for the year.

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

### AUDITORS

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

On behalf of the Board

**LO YUK SUI**

Chairman

Hong Kong

22nd March, 2016

# Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2015.

The Company is committed to maintaining good corporate governance practices and procedures. Review of existing policies and practices in respect of the management and corporate matters of the Group has been conducted by the Company. Enhancement to the current standards for complying with new requirements, revision of the existing policies and practices and introduction of appropriate new measures have been implemented. Periodic review of the system and controls within the Group will be carried out by the Company to comply with the prevailing standards and requirements of good corporate governance.

## (I) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31st December, 2015, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

## (II) BOARD OF DIRECTORS

The Board currently comprises the following members:

### *Executive Directors:*

Mr. Lo Yuk Sui (*Chairman and Chief Executive Officer*)  
Miss Lo Po Man (*Vice Chairman and Managing Director*)  
Ms. Belinda Yeung Bik Yiu (*Chief Operating Officer*)  
Mr. Donald Fan Tung  
Mr. Jimmy Lo Chun To  
Mr. Kenneth Ng Kwai Kai  
Mr. Allen Wan Tze Wai

### *Non-Executive Director:*

Dr. Francis Choi Chee Ming, GBS, JP (*Vice Chairman*)

### *Independent Non-Executive Directors:*

Ms. Alice Kan Lai Kuen  
Professor Japhet Sebastian Law  
Mr. Ng Siu Chan  
Mr. Wong Chi Keung



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

During the year ended 31st December, 2015, the Company has fully complied with Rules 3.10 and 3.10A of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-Executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharging their duties.

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

In year 2015, the attendance rates of individual Board members of the Company were as follows:

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

The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary. In addition, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In the year 2015, the Company arranged for Directors a seminar covering topics on certain listing requirements under the Listing Rules and some update on market development and regulatory requirements in respect of investment trust. The training received by the Directors during the year 2015 is summarised below:

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

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

## (III) BOARD COMMITTEES

There are three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, established by the Board for overseeing different functions delegated by the Board.

### (a) Audit Committee

The Audit Committee was established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee currently comprises the following members:

*Independent Non-Executive Directors:*

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

Ms. Alice Kan Lai Kuen (*Member*)

Professor Japhet Sebastian Law (*Member*)

Mr. Ng Siu Chan (*Member*)

*Non-Executive Director:*

Dr. Francis Choi Chee Ming, GBS, JP (*Member*)

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and annual financial statements.

As both the Board and the Audit Committee recommended to re-appoint the current external Auditors, Messrs. Ernst & Young, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditors.

In year 2015, the Audit Committee met twice and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

<b>Name of Audit Committee members</b>	<b>Attendance</b>
Mr. Wong Chi Keung ( <i>Chairman of the Committee</i> )	2/2
Dr. Francis Choi Chee Ming, GBS, JP	2/2
Ms. Alice Kan Lai Kuen	2/2
Professor Japhet Sebastian Law	2/2
Mr. Ng Siu Chan	2/2

**(b) Remuneration Committee**

The Remuneration Committee was established with specific written terms of reference that deal with its authority and duties. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange. The principal responsibilities of the Remuneration Committee are to review the remuneration of individual Directors and senior management and to make recommendations to the Board on the policy and structure for the determination of the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy of the Company on such matters.

The Remuneration Committee currently comprises the following members:

*Executive Director:*

Mr. Lo Yuk Sui (*Member*)

*Independent Non-Executive Directors:*

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

Ms. Alice Kan Lai Kuen (*Member*)

Mr. Ng Siu Chan (*Member*)

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

In year 2015, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. The attendance rates of individual Remuneration Committee members of the Company were as follows:

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

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

The remuneration of the senior management (comprising Executive Directors) of the Company for the year ended 31st December, 2015 by band is set out below:

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

Further details of the Executive Directors' remuneration for the year ended 31st December, 2015 are disclosed in note 8 to the financial statements contained in this Annual Report.

### (c) Nomination Committee

The Nomination Committee was established with specific written terms of reference by the Board for the purpose of making recommendations to the Board in relation to the nomination and appointment of Directors, with a view to ensuring fairness and transparency in the nomination and selection procedures. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises the following members:

*Executive Director:*

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

*Independent Non-Executive Directors:*

Ms. Alice Kan Lai Kuen (*Member*)

Mr. Ng Siu Chan (*Member*)

Mr. Wong Chi Keung (*Member*)

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

In year 2015, the Nomination Committee met once to review and assess the overall diversity of the composition of the Board with reference to the various aspects as set out in the Board Diversity Policy. The attendance rates of individual Nomination Committee members of the Company were as follows:

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

#### (IV) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view of the state of affairs of the Group, and ensuring that appropriate accounting policies are selected and applied consistently and that the financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors will also ensure that the financial statements are published in a timely manner. As a manpower policy of the Group, which is subject to regular review by the Directors and senior management, adequate resources have been allocated to the accounting and financial reporting function with staff members possessing appropriate qualifications and experience engaged in the discharge of the relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis, and a reasonable budget has been allocated for continuous professional development purposes.

The statement by the external Auditors, Messrs. Ernst & Young, about their reporting responsibilities is set out in the Independent Auditors' Report contained in this Annual Report.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

#### (V) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Code for Securities Transactions by Directors of Regal Hotels International Holdings Limited" (the "Regal Code"), on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct governing the securities transactions by the Directors of the Company.

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Regal Code during the year ended 31st December, 2015.

### (VI) RISK MANAGEMENT AND INTERNAL CONTROL

The Board has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group during the year, including financial, operational and compliance controls and risk management and internal control functions, with a view to safeguarding the shareholders' investment and the Company's assets and business operations. The risk management and internal control systems of the Group are considered effective and adequate.

Management of the Company has put into effect a full set of corporate policies and procedures as well as detailed operating manuals for the hotel operations of the Group, with an objective to achieving sound and effective risk management and internal control systems. Separate meetings attended by Executive Directors, Group Financial Controller, Area Financial Controller, Hotel General Managers and Hotel Financial Controllers are held regularly to review the effectiveness of the risk management and internal control systems, to identify any significant management and operational risks as well as control failings or weaknesses, and also to review the need for any control improvements or updating to respond to changes in the business and external environment. Regular management audits have also been performed by the Area Financial Control department on the risk management and internal control systems of individual hotels to ensure that there are no significant control failings or weaknesses. Recommendations for improvement are forwarded to individual hotels' management for implementation. While the regular monitoring of the risk management and internal control mechanisms is mainly conducted by the delegated Executive Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and for reviewing the effectiveness of such systems. Accordingly, while periodic committee meetings are held with the delegated Executive Directors and senior management staff members, clear instructions have been provided to management of the Company that any material issues relating to the risk management and internal control systems, particularly any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group is to be reported to the Board and the Audit Committee of the Company on a timely basis.

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

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

**(VII) AUDITORS' REMUNERATION**

Messrs. Ernst & Young have been re-appointed as the external auditors of the Company at the 2015 Annual General Meeting until the conclusion of the forthcoming 2016 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditors of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2015 were HK\$6.7 million (2014 - HK\$6.2 million) and HK\$1.1 million (2014 - HK\$2.1 million), respectively. The significant non-audit services covered by these fees are as follows:

<b>Nature of services</b>	<b>Fees paid (HK\$'million)</b>
(1) Interim review of the financial statements of the Group and the Regal REIT group, respectively, for the six months ended 30th June, 2015	0.9
(2) Compliance and other services to the Group	0.2

**(VIII) SHAREHOLDERS' RIGHT**

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

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

During the year ended 31st December, 2015, the Company has not made any changes to its Bye-laws. A consolidated version of the Memorandum of Association and New Bye-laws of the Company is available on the website of the Company.



# Consolidated Statement of Profit or Loss

For the year ended 31st December, 2015

	Notes	2015 HK\$'million	2014 HK\$'million
REVENUE	5	2,471.8	2,298.6
Cost of sales		(1,349.7)	(1,200.0)
Gross profit		1,122.1	1,098.6
Other income and gain	5	168.6	169.5
Fair value gains on financial assets at fair value through profit or loss, net		14.3	42.3
Fair value gains/(losses) on investment properties, net	14	(4.7)	7.0
Fair value gain upon reclassification of a property held for sale to an investment property		–	58.0
Gain on bargain purchase	32	–	35.0
Property selling and marketing expenses		(3.2)	–
Administrative expenses		(250.8)	(250.0)
OPERATING PROFIT BEFORE DEPRECIATION		1,046.3	1,160.4
Depreciation		(511.2)	(453.5)
OPERATING PROFIT		535.1	706.9
Finance costs	7	(330.3)	(332.6)
Share of profits and losses of:			
Joint ventures		14.2	(20.9)
Associates		(22.2)	96.7
PROFIT BEFORE TAX	6	196.8	450.1
Income tax	10	(36.9)	6.6
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		159.9	456.7
Attributable to:			
Equity holders of the parent		119.0	410.3
Non-controlling interests		40.9	46.4
		159.9	456.7
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		HK\$0.13	HK\$0.44

# Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2015

	2015 HK\$'million	2014 HK\$'million
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	159.9	456.7
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	22.1	13.6
Cash flow hedges:		
Changes in fair value of cash flow hedges	(0.3)	(4.0)
Transfer from hedge reserve to the statement of profit or loss	1.0	6.0
	<u>0.7</u>	<u>2.0</u>
Exchange differences on translating foreign operations	(22.6)	(11.4)
Share of other comprehensive loss of:		
A joint venture	(54.2)	(6.8)
Associates	(0.1)	(3.1)
	<u>(54.1)</u>	<u>(5.7)</u>
Other comprehensive loss for the year	(54.1)	(5.7)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>105.8</u>	<u>451.0</u>
Attributable to:		
Equity holders of the parent	64.8	404.1
Non-controlling interests	41.0	46.9
	<u>105.8</u>	<u>451.0</u>

# Consolidated Statement of Financial Position

As at 31st December, 2015

	Notes	2015 HK\$'million	2014 HK\$'million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	15,875.6	16,052.8
Investment properties	14	1,070.0	1,074.0
Investments in joint ventures	15	3,327.6	3,258.5
Investments in associates	16	125.1	131.1
Available-for-sale investments	17	133.4	106.8
Financial asset at fair value through profit or loss	18	1.9	1.9
Debtors and deposits	22	5.4	1,390.0
Deferred tax assets	29	79.1	62.4
Total non-current assets		<b>20,618.1</b>	<b>22,077.5</b>
<b>CURRENT ASSETS</b>			
Properties held for sale	21	479.4	533.5
Inventories	20	33.9	35.7
Debtors, deposits and prepayments	22	1,633.4	266.8
Held-to-maturity investments	23	201.2	378.1
Financial assets at fair value through profit or loss	18	795.6	727.1
Other loan	19	–	13.2
Derivative financial instruments	28	4.7	–
Tax recoverable		3.1	–
Restricted cash	24	46.4	47.2
Pledged time deposits and bank balances		346.3	327.4
Time deposits		400.2	435.4
Cash and bank balances		780.3	1,008.0
Total current assets		<b>4,724.5</b>	<b>3,772.4</b>
<b>CURRENT LIABILITIES</b>			
Creditors, deposits received and accruals	25	(424.4)	(426.6)
Interest bearing bank borrowings	26	(279.9)	(510.9)
Derivative financial instruments	28	–	(3.4)
Tax payable		(36.0)	(53.1)
Total current liabilities		<b>(740.3)</b>	<b>(994.0)</b>
NET CURRENT ASSETS		<b>3,984.2</b>	<b>2,778.4</b>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>24,602.3</b>	<b>24,855.9</b>

# Consolidated Statement of Financial Position (Cont'd)

As at 31st December, 2015

	Notes	2015 HK\$'million	2014 HK\$'million
<b>NON-CURRENT LIABILITIES</b>			
Creditors and deposits received	25	(147.0)	(27.8)
Interest bearing bank borrowings	26	(6,187.0)	(6,362.1)
Other borrowings	27	(4,241.9)	(4,234.3)
Deferred tax liabilities	29	(1,004.8)	(1,034.7)
Total non-current liabilities		<u>(11,580.7)</u>	<u>(11,658.9)</u>
Net assets		<u>13,021.6</u>	<u>13,197.0</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	30	92.4	92.4
Reserves	31	11,770.6	11,852.8
		<u>11,863.0</u>	<u>11,945.2</u>
<b>Non-controlling interests</b>		<u>1,158.6</u>	<u>1,251.8</u>
Total equity		<u>13,021.6</u>	<u>13,197.0</u>

**KENNETH NG KWAI KAI**

Director

**LO YUK SUI**

Director

# Consolidated Statement of Changes in Equity

For the year ended 31st December, 2015

	Attributable to equity holders of the parent										
	Issued capital HK\$'m	Share premium account HK\$'m	Capital redemption reserve HK\$'m	Hedge reserve HK\$'m	Capital reserve HK\$'m	Available-for-sale investment revaluation reserve HK\$'m	Exchange equalisation reserve HK\$'m	Retained profits HK\$'m	Total HK\$'m	Non-controlling interests HK\$'m	Total equity HK\$'m
At 1st January, 2014	94.4	648.0	13.2	(2.1)	17.6	(0.6)	79.3	10,925.1*	11,774.9	1,336.9	13,111.8
Profit for the year	-	-	-	-	-	-	-	410.3	410.3	46.4	456.7
Other comprehensive income/(loss) for the year:											
Changes in fair value of available-for-sale investments	-	-	-	-	-	13.6	-	-	13.6	-	13.6
Cash flow hedges	-	-	-	1.5	-	-	-	-	1.5	0.5	2.0
Exchange differences on translating foreign operations	-	-	-	-	-	-	(11.4)	-	(11.4)	-	(11.4)
Share of other comprehensive income/(loss) of:											
A joint venture	-	-	-	-	15.9	-	(22.7)	-	(6.8)	-	(6.8)
Associates	-	-	-	-	-	-	(3.1)	-	(3.1)	-	(3.1)
Total comprehensive income/(loss) for the year	-	-	-	1.5	15.9	13.6	(37.2)	410.3	404.1	46.9	451.0
Repurchase and cancellation of ordinary shares	(2.0)	(94.0)	2.0	-	-	-	-	(2.0)	(96.0)	-	(96.0)
Distribution to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	(2.0)	(2.0)
Final 2013 dividend declared	-	-	-	-	-	-	-	(100.8)	(100.8)	(68.7)	(169.5)
Interim 2014 dividend	-	-	-	-	-	-	-	(37.0)	(37.0)	(61.3)	(98.3)
At 31st December, 2014	92.4	554.0	15.2	(0.6)	33.5	13.0	42.1	11,195.6*	11,945.2	1,251.8	13,197.0

\* Retained profits have been adjusted for the proposed final 2013 and 2014 dividends in accordance with the current year's presentation, which is described in note 2.4 to the financial statements.

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

For the year ended 31st December, 2015

		Attributable to equity holders of the parent										
		Issued capital HK\$'m	Share premium account HK\$'m	Capital redemption reserve HK\$'m	Hedge reserve HK\$'m	Capital reserve HK\$'m	Available-for-sale investment revaluation reserve HK\$'m	Exchange equalisation reserve HK\$'m	Retained profits HK\$'m	Total HK\$'m	Non-controlling interests HK\$'m	Total equity HK\$'m
At 1st January, 2015		92.4	554.0	15.2	(0.6)	33.5	13.0	42.1	11,955.6	11,945.2	1,251.8	13,197.0
Profit for the year		-	-	-	-	-	-	119.0	-	119.0	40.9	159.9
Other comprehensive income/(loss) for the year:												
Changes in fair value of available-for-sale investments		-	-	-	-	-	22.1	-	-	22.1	-	22.1
Cash flow hedges		-	-	-	0.6	-	-	-	-	0.6	0.1	0.7
Exchange differences on translating foreign operations		-	-	-	-	-	-	(22.6)	-	(22.6)	-	(22.6)
Share of other comprehensive loss of:												
A joint venture		-	-	-	-	-	-	(54.2)	-	(54.2)	-	(54.2)
An associate		-	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Total comprehensive income/(loss) for the year		-	-	-	0.6	-	22.1	(76.9)	119.0	64.8	41.0	105.8
Elimination of reciprocal interests		-	-	-	-	-	-	-	0.9	0.9	-	0.9
Final 2014 dividend declared		-	-	-	-	-	-	-	(110.9)	(110.9)	(72.9)	(183.8)
Interim 2015 dividend		-	-	-	-	-	-	-	(37.0)	(37.0)	(61.3)	(98.3)
At 31st December, 2015		92.4	554.0	15.2	-	33.5	35.1	(34.8)	11,167.6	11,863.0	1,158.6	13,021.6

11

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2015

	Notes	2015 HK\$'million	2014 HK\$'million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>196.8</b>	450.1
Adjustments for:			
Finance costs	7	<b>330.3</b>	332.6
Share of profits and losses of joint ventures and associates		<b>8.0</b>	(75.8)
Interest income	5	<b>(134.5)</b>	(146.1)
Depreciation	6	<b>511.2</b>	453.5
Dividend income from listed investments	5	<b>(7.2)</b>	(11.7)
Fair value gains on financial assets at fair value through profit or loss, net		<b>(14.3)</b>	(42.3)
Fair value losses/(gains) on investment properties, net		<b>4.7</b>	(7.0)
Fair value gain upon reclassification of a property held for sale to an investment property		–	(58.0)
Unrealised interest income from a joint venture		<b>21.5</b>	16.3
Gain on bargain purchase		–	(35.0)
Impairment of trade debtors	6	–	0.1
Gain on disposal of items of property, plant and equipment, net	5	<b>(38.3)</b>	–
Write-back of other creditors		<b>(11.1)</b>	–
Write-off of items of property, plant and equipment	6	–	0.1
		<b>867.1</b>	876.8
Decrease/(increase) in inventories		<b>1.8</b>	(1.5)
Decrease/(increase) in properties held for sale		<b>64.1</b>	(2.2)
Increase in debtors, deposits and prepayments		<b>(11.8)</b>	(6.3)
Increase in restricted cash		–	(0.1)
Increase in financial assets at fair value through profit or loss		<b>(35.8)</b>	(119.3)
Decrease/(increase) in derivative financial instruments		<b>(1.4)</b>	14.2
Increase in creditors, deposits received and accruals		<b>0.7</b>	51.9
Cash generated from operations		<b>884.7</b>	813.5
Interest received		<b>18.7</b>	9.1
Dividends received from listed investments		<b>7.2</b>	11.7
Hong Kong profits tax paid		<b>(101.2)</b>	(66.1)
Overseas taxes paid		<b>(0.9)</b>	(0.5)
Net cash flows from operating activities		<b>808.5</b>	767.7

# Consolidated Statement of Cash Flows (Cont'd)

For the year ended 31st December, 2015

	Notes	2015 HK\$'million	2014 HK\$'million
Net cash flows from operating activities		<b>808.5</b>	767.7
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to investment properties		<b>(0.7)</b>	–
Purchases of items of property, plant and equipment		<b>(296.3)</b>	(1,388.4)
Proceeds from disposal of items of property, plant and equipment		<b>105.4</b>	–
Deposits paid for purchases of items of property, plant and equipment		–	(14.0)
Purchases of available-for-sale investments		<b>(4.5)</b>	(84.1)
Purchases of held-to-maturity investments		<b>(865.2)</b>	(963.6)
Proceeds from redemption of held-to-maturity investments		<b>1,042.1</b>	773.9
Acquisition of a business	32	–	(68.9)
Advances to joint ventures		<b>(934.3)</b>	(1,568.3)
Repayment from joint ventures		<b>749.1</b>	1,728.7
Advances to associates		<b>(17.2)</b>	(18.6)
Repayment from an associate		<b>0.9</b>	2.2
Interest received		<b>144.9</b>	174.1
Dividend received from an unlisted investment		<b>29.8</b>	15.8
Decrease/(increase) in pledged time deposits and bank balances		<b>(18.9)</b>	104.1
Decrease/(increase) in restricted cash		<b>(4.4)</b>	4.7
Decrease in other loan		<b>13.7</b>	–
Net cash flows used in investing activities		<b>(55.6)</b>	(1,302.4)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repurchase and cancellation of ordinary shares		–	(96.0)
Drawdown of new bank loans		<b>503.4</b>	2,518.4
Repayment of bank loans		<b>(924.7)</b>	(1,148.3)
Interest paid		<b>(301.9)</b>	(299.4)
Payment of loan and other costs		<b>(4.0)</b>	(23.3)
Dividends paid		<b>(143.8)</b>	(137.7)
Dividends paid to non-controlling shareholders		<b>(134.1)</b>	(130.0)
Distribution to a non-controlling shareholder		–	(2.0)
Decrease in restricted cash		<b>5.2</b>	0.1
Net cash flows from/(used in) financing activities		<b>(999.9)</b>	681.8
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(247.0)</b>	147.1
Cash and cash equivalents at beginning of year		<b>1,443.4</b>	1,303.1
Effect of foreign exchange rate changes, net		<b>(15.9)</b>	(6.8)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>1,180.5</b>	1,443.4
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>780.3</b>	1,008.0
Non-pledged time deposits with original maturity of less than three months when acquired		<b>400.2</b>	435.4
		<b>1,180.5</b>	1,443.4



# Notes to Financial Statements

31st December, 2015

## 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
			2015	2014	
Aim Success Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Alpha Season Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Big Result Investments Limited	Hong Kong	HK\$1	–	100	Property investment
Camomile Investments Limited	Hong Kong	HK\$2	100	100	Property investment
Chest Gain Development Limited	Hong Kong	HK\$10,000	100	100	Property development and investment, and investment holding
Come On Investment Company Limited	Hong Kong	HK\$10,000	100	100	Securities trading and investment
Complete Success Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding

## Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration/ and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2015	2014	
Cranfield Investments Limited	Hong Kong	HK\$2	100	100	Financing
Favour Link International Limited	Hong Kong	HK\$1	100	100	Hotel operations
Favourite Stock Limited	British Virgin Islands	US\$1	100	100	Securities investment
Flexi Sky Limited	Hong Kong	HK\$1	100	100	Property investment
Fortune Build Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Fortune Nice Investment Limited	Hong Kong	HK\$2	100	100	Financing
Fortune Trove Limited	Hong Kong	HK\$1	100	100	Property investment
Gaud Limited	Hong Kong	HK\$2	100	100	Securities trading and investment
Gestiones E Inversiones Cosmoland, S.L.	Spain	EUR3,000	100	100	Hotel operations
Golden Vessel Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Grand Pyramid Limited	Hong Kong	HK\$1	100	100	Property investment
Great Prestige Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Greatlead Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Harvest Charm Investment Limited	Hong Kong	HK\$2	100	100	Financing
Harvest Crown International Invest Limited	British Virgin Islands	US\$1	100	100	Property investment
Honormate Nominees Limited	Hong Kong	HK\$2	100	100	Securities investment and nominee services

## Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2015	2014	
Honrich Investment Limited	Hong Kong	HK\$2	100	100	Financing
Kaybro Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Loraine Developments, S.L.	Spain	EUR3,000	100	100	Hotel ownership
Maximum Good Limited	Hong Kong	HK\$1	100	100	Property investment
Million Sharp International Limited	Hong Kong	HK\$1	100	100	Property investment
New Blossom International Limited	British Virgin Islands	US\$1	100	100	Investment holding
New Surplus Investments Limited	Hong Kong	HK\$1	100	100	Property investment
PBL0781 Limited	Gibraltar	GBP2,000	100	100	Aircraft ownership and leasing
PBL1017 Limited	Gibraltar	GBP2,000	85	85	Aircraft ownership and leasing
Regal Contracting Agency Limited	Hong Kong	HK\$1	100	100	Contracting agency
Regal Estate Agents Limited	Hong Kong	HK\$2	100	100	Estate agency
Regal Estate Management Limited	Hong Kong	HK\$2	100	100	Estate management
Regal Hotels (Holdings) Limited	Hong Kong	HK\$1,151,598,638	100	100	Investment holding and management services
Regal Hotels Company Limited	Hong Kong	HK\$2	100	100	Investment holding
Regal Hotels International Limited	Hong Kong	HK\$100,000	100	100	Hotel management and investment holding
Regal Hotels Management (BVI) Limited	British Virgin Islands/ Mainland China	US\$1	100	100	Investment holding and hotel management

## Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2015	2014	
Regal International Limited	British Virgin Islands	US\$20	100	100	Investment and trademark holding
Regal International (BVI) Holdings Limited	British Virgin Islands	HK\$10.1	100	100	Investment holding
Regal Portfolio Management Limited	Hong Kong	HK\$11,611,937	100	100	Asset management
Regal Quality Foods Limited	Hong Kong	HK\$2	100	100	Sale of food products
RH International Finance Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Financing
R.H.I. Licensing B.V.	The Netherlands	NLG40,000	100	100	Trademark holding
Solution Key Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Speedy Track Limited	Hong Kong	HK\$1	100	100	Property investment
Success Path Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Swift Lion Investments Limited	British Virgin Islands	US\$1	100	100	Aircraft ownership and leasing
Tenshine Limited	Hong Kong	HK\$2	100	100	Securities trading and investment and financing
Top Esteem Investments Limited	British Virgin Islands	US\$1	100	100	Aircraft ownership and leasing
Treasure Wagon Company Limited	Hong Kong	HK\$2	100	100	Operation of security storage lounge
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
Vast Charm International Limited	Hong Kong	HK\$1	100	100	Property investment
Wealth Virtue Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding

## Notes to Financial Statements (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2015	2014	
Wealthy Path Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Will Smart Investments Limited	Hong Kong	HK\$1	100	100	Property investment
廣州市富堡訂房服務有限公司 <sup>(1)</sup>	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 <sup>(1)</sup>	PRC/ Mainland China	US\$140,000	100	100	Hotel management
上海八端旅遊服務有限公司 <sup>(1)</sup>	PRC/ Mainland China	US\$375,000	100	100	Travel agency
Regal Real Estate Investment Trust	Hong Kong	3,257,431,189 units	74.58	74.58	Property investment
Bauhinia Hotels Limited <sup>(2)</sup>	Hong Kong	HK\$2	74.58	74.58	Hotel ownership
Cityability Limited <sup>(2)</sup>	Hong Kong	HK\$10,000	74.58	74.58	Hotel ownership
Gala Hotels Limited <sup>(2)</sup>	Hong Kong	HK\$2	74.58	74.58	Hotel ownership
Regal Asset Holdings Limited <sup>(2)</sup>	Bermuda/ Hong Kong	US\$12,000	74.58	74.58	Investment holding
Regal Riverside Hotel Limited <sup>(2)</sup>	Hong Kong	HK\$2	74.58	74.58	Hotel ownership
Rich Day Investments Limited <sup>(2)</sup>	Hong Kong	HK\$1	74.58	74.58	Financing
Ricobem Limited <sup>(2)</sup>	Hong Kong	HK\$100,000	74.58	74.58	Hotel ownership
Sonnix Limited <sup>(2)</sup>	Hong Kong	HK\$2	74.58	74.58	Property ownership and hotel operations
R-REIT International Finance Limited <sup>(2)</sup>	British Virgin Islands	US\$1	74.58	74.58	Financing
Tristan Limited <sup>(2)</sup>	Hong Kong	HK\$20	74.58	74.58	Hotel ownership
Wise Decade Investments Limited <sup>(2)</sup>	Hong Kong	HK\$1	74.58	74.58	Hotel ownership

Notes:

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

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

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, certain available-for-sale investments, financial assets at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest million except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2015. 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 revised standards for the first time for the current year's financial statements.

*Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions*  
*Annual Improvements to HKFRSs 2010-2012 Cycle*  
*Annual Improvements to HKFRSs 2011-2013 Cycle*

The nature and the impact of each amendment is described below:

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.
- (b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
  - *HKFRS 8 Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.
  - *HKAS 16 Property, Plant and Equipment* and *HKAS 38 Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.
  - *HKAS 24 Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- *HKFRS 3 Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
- *HKFRS 13 Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.
- *HKAS 40 Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment property during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.



### 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.

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

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

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2018

<sup>3</sup> Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1st January, 2016 and therefore is not applicable to the Group

<sup>4</sup> No mandatory effective date is determined but is available for early adoption

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1st January, 2018. The Group is currently assessing the impact of the standard.

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

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

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1st January, 2018. The Group expects to adopt HKFRS 15 on 1st January, 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1st January, 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

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

### 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.

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

### (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 and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) 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, 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:

Freehold land	Not depreciated
Hotel land (excluding freehold land)	Over the lease terms
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.

### **(f) Investment properties**

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

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

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

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

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments and held-to-maturity investments, or as derivatives designed as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the statement of profit or loss.

#### *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the statement of profit or loss.

#### *Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.



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

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

### (h) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

### *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

### *Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

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

### (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, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

### *Loans and borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

### **(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 and hedge accounting**

#### *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

### *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

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

### *Current versus non-current classification*

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

### (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) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) hotel and other agency and management services income, in the period in which such services are rendered;
- (ii) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;
- (iii) rental income, in the period in which the properties/aircraft are let and on the straight-line basis over the lease terms;
- (iv) interest income, on an accrual basis using the effective interest method by applying the rate that 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;
- (v) dividend income, when the shareholders' right to receive payment has been established;
- (vi) net gain or loss from sale of investments at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged; and
- (vii) income from the sale of food products, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the food products sold.

### (q) 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 that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into 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.

Any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

### (r) 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, 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 future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### (s) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under 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.

### (t) Employee benefits

#### *Share-based payments*

The Company operated a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").



The cost of equity-settled transactions with employees for grants after 7th November, 2002 is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per ordinary share.

### *Staff retirement schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the 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.

### **(u) 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.

### **(v) Cash and cash equivalents**

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.

### **(w) Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the Directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the 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.

### **(x) 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.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### (a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

##### *Operating lease commitments - Group as lessor*

The Group has entered into commercial property/aircraft leases on its property/aircraft portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties/aircraft which are leased out on operating leases.

##### *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

##### *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, 2015 was HK\$1,070.0 million (2014 - HK\$1,074.0 million). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, 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. Recognition of deferred tax assets primarily involves judgements and estimations regarding the future performance of the Group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portions or all of the deferred tax assets will ultimately be realised, such as tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amounts of deferred tax assets and related taxable profit projections are reviewed at the end of each reporting period. The carrying value of gross deferred tax assets relating to recognised tax losses at 31st December, 2015 was HK\$81.2 million (2014 - HK\$72.1 million). The amount of unrecognised deferred tax assets in respect of tax losses at 31st December, 2015 was HK\$486.8 million (2014 - HK\$474.0 million). Further details are contained in note 29 to the financial statements.

### *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial 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.

### *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group maintains an allowance for estimated impairment of receivables arising from the inability of its customers and debtors to make the required payments. The Group makes its estimates based on, inter alia, the ageing of its receivable balances, customers' and debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of its customers and debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

### *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, 2015 was HK\$363.1 million (2014 - HK\$157.3 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 through Regal REIT;
- (b) the asset management segment engages in the provision of asset management services to Regal REIT;
- (c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;
- (d) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;
- (e) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental income; and
- (f) the others segment mainly comprises travel agency services, sale of food products and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that certain interest income, finance costs, head office and corporate gains and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, 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, derivative financial instruments in relation to interest rate swaps, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

Following the acquisition of additional aircraft during the current year, the Group has increased its focus on the aircraft ownership and leasing business. A change on the reporting structure of operating segments was made for facilitating management to make decisions about operating matters, resources allocation and performance assessment. Accordingly, an additional reportable operating segment of "Aircraft ownership and leasing" was separately disclosed and certain comparative amounts previously reported under the reportable operating segment of "Others" have been reclassified and restated to conform with the current year's presentation.

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, 2015 and 2014:

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm
Segment revenue:																
Sales to external customers	2,171.3	2,200.9	-	-	133.6	14.2	38.0	21.9	91.9	33.8	37.0	27.8	-	-	2,471.8	2,298.6
Intersegment sales	-	-	96.2	134.7	5.3	5.8	-	-	-	-	3.1	3.2	(104.6)	(143.7)	-	-
<b>Total</b>	<b>2,171.3</b>	<b>2,200.9</b>	<b>96.2</b>	<b>134.7</b>	<b>138.9</b>	<b>20.0</b>	<b>38.0</b>	<b>21.9</b>	<b>91.9</b>	<b>33.8</b>	<b>40.1</b>	<b>31.0</b>	<b>(104.6)</b>	<b>(143.7)</b>	<b>2,471.8</b>	<b>2,298.6</b>
Segment results before depreciation	855.3	1,034.1	(13.5)	(16.2)	125.0	126.5	63.7	70.3	118.0	29.6	(4.7)	(9.5)	-	-	1,123.8	1,234.8
Depreciation	(464.0)	(428.8)	(0.4)	(0.3)	(5.9)	(6.1)	-	-	(39.9)	(16.7)	(1.0)	(1.6)	-	-	(511.2)	(453.5)
Segment operating results	371.3	605.3	(13.9)	(16.5)	119.1	120.4	63.7	70.3	78.1	12.9	(5.7)	(11.1)	-	-	612.6	781.3
Unallocated interest income and unallocated non-operating and corporate gains															16.2	16.6
Unallocated non-operating and corporate expenses															(93.7)	(91.0)
Operating profit															535.1	706.9
Finance costs															(330.3)	(332.6)
Share of profits and losses of:																
Joint ventures	-	-	-	-	14.2	(20.9)	-	-	-	-	-	-	-	-	14.2	(20.9)
Associates	-	3.8	-	-	(3.5)	112.6	-	-	-	-	(18.7)	(19.7)	-	-	(22.2)	96.7
Profit before tax															196.8	450.1
Income tax															(36.9)	6.6
Profit for the year before allocation between equity holders of the parent and non-controlling interests															159.9	456.7
Attributable to:																
Equity holders of the parent															119.0	410.3
Non-controlling interests															40.9	46.4
															159.9	456.7



# Notes to Financial Statements (Cont'd)

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm	HKS'm
Segment assets	15,747.1	16,116.4	37.5	46.7	2,915.1	2,999.0	1,157.7	1,244.9	387.1	201.7	24.9	16.7	(85.5)	(46.2)	20,233.9	20,579.2
Investments in joint ventures	-	-	-	-	3,327.6	3,258.5	-	-	-	-	-	-	-	-	3,327.6	3,258.5
Investments in associates	7.1	7.1	-	-	110.6	111.5	-	-	-	-	7.4	12.5	-	-	125.1	131.1
Cash and unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,656.0	1,881.1
<b>Total assets</b>	<b>(379.6)</b>	<b>(411.4)</b>	<b>(1.5)</b>	<b>(3.4)</b>	<b>(5.3)</b>	<b>(6.0)</b>	<b>(18.1)</b>	<b>(8.1)</b>	<b>(170.1)</b>	<b>(29.5)</b>	<b>(3.9)</b>	<b>(4.9)</b>	<b>35.5</b>	<b>46.2</b>	<b>(543.0)</b>	<b>(417.1)</b>
Segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank borrowings and unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,778.0)	(12,235.8)
<b>Total liabilities</b>	<b>(11.0)</b>	<b>(18.0)</b>	<b>-</b>	<b>-</b>	<b>15.7</b>	<b>11.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,321.0)</b>	<b>(12,652.9)</b>
Other segment information:																
Interest income	(0.5)	(29.7)	-	-	(87.7)	(76.3)	(30.8)	(24.2)	-	-	-	-	-	-	-	-
Impairment of trade debtors	-	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value gains on financial assets at fair value through profit or loss, net	-	-	-	-	-	-	(14.3)	(42.3)	-	-	-	-	-	-	-	-
Fair value (losses)/gains on investment properties, net	(11.0)	(18.0)	-	-	15.7	11.0	-	-	-	-	-	-	-	-	-	-
Fair value gain upon reclassification of a property held for sale to an investment property	-	-	-	-	-	(58.0)	-	-	-	-	-	-	-	-	-	-
Gain on disposal of items of property, plant and equipment, net	(0.2)	-	-	-	-	-	-	-	(38.1)	-	-	-	-	-	-	-
Gain on bargain purchase	-	(35.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditure	101.4	2,607.2	0.2	1.8	1.2	0.9	-	-	363.5	-	7.3	0.8	-	-	-	-

Geographical information

## (a) Revenue from external customers

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Hong Kong	2,285.5	2,220.0
Mainland China	43.5	33.3
Other	142.8	45.3
	<b>2,471.8</b>	<b>2,298.6</b>

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

## (b) Non-current assets

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Hong Kong	18,218.5	18,462.2
Mainland China	1,710.6	1,779.7
Other	469.2	288.5
	<b>20,398.3</b>	<b>20,530.4</b>

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

Information about 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 GAIN

Revenue, other income and gain are analysed as follows:

	2015 HK\$'million	2014 HK\$'million
<u>Revenue</u>		
Hotel operations and management services	2,117.3	2,148.9
Other operations, including estate management, estate agency, travel agency and sale of food products	39.3	29.0
Rental income:		
Hotel properties	47.2	46.2
Investment properties	15.4	16.1
Aircraft	91.9	33.8
Others	2.7	2.7
Net gain from sale of financial assets at fair value through profit or loss	10.9	9.3
Net gain/(loss) on settlement of derivative financial instruments	1.4	(12.8)
Interest income from financial assets at fair value through profit or loss	18.5	13.7
Dividend income from listed investments	7.2	11.7
Sale of a property	120.0	–
	<u>2,471.8</u>	<u>2,298.6</u>
<u>Other income and gain</u>		
Bank interest income	14.8	15.7
Other interest income	101.2	116.7
Gain on disposal of items of property, plant and equipment, net	38.3	–
Others	14.3	37.1
	<u>168.6</u>	<u>169.5</u>

**6. PROFIT BEFORE TAX**

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

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Cost of inventories sold and services provided	<b>950.3</b>	804.1
Depreciation	<b>511.2</b>	453.5
Foreign exchange differences, net	<b>26.0</b>	20.0
Impairment of trade debtors	–	0.1
Employee benefit expense* (exclusive of directors' remuneration disclosed in note 8):		
Salaries, wages and allowances	<b>633.2</b>	602.8
Staff retirement scheme contributions	<b>28.0</b>	26.9
Less: Forfeited contributions	<b>(0.8)</b>	(0.8)
Net staff retirement scheme contributions	<b>27.2</b>	26.1
	<b>660.4</b>	628.9
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
- held for trading	<b>(9.6)</b>	(43.6)
- derivative instruments – transactions not qualifying as hedges	<b>(4.7)</b>	1.3
	<b>(14.3)</b>	(42.3)
Minimum lease payments under operating leases	<b>21.0</b>	18.7
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	<b>2.4</b>	2.4
Auditors' remuneration	<b>6.7</b>	6.2

\* Inclusive of an amount of HK\$561.2 million (2014 - HK\$540.2 million) classified under cost of inventories sold and services provided.

## 7. FINANCE COSTS

	2015 HK\$'million	2014 HK\$'million
Interest on bank loans	119.2	115.0
Interest on other borrowings	183.0	182.9
Amortisation of debt establishment costs	23.1	24.8
	<hr/>	<hr/>
Total interest expenses on financial liabilities not at fair value through profit or loss	325.3	322.7
Fair value changes on derivative financial instruments – cash flow hedge (transfer from hedge reserve)	1.0	6.0
Other loan costs	4.0	3.9
	<hr/>	<hr/>
	<b>330.3</b>	<b>332.6</b>
	<hr/> <hr/>	<hr/> <hr/>

## 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:

	2015 HK\$'million	2014 HK\$'million
Fees	2.3	2.3
Other emoluments:		
Salaries, allowances and benefits in kind	19.2	20.0
Performance related/discretionary bonuses	2.2	2.5
Staff retirement scheme contributions	1.2	1.1
	<hr/>	<hr/>
	<b>24.9</b>	<b>25.9</b>
	<hr/> <hr/>	<hr/> <hr/>

## (a) Non-executive directors

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

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Non-executive director:		
Dr. Francis Choi Chee Ming, GBS, JP	<b>0.15</b>	0.15
Independent non-executive directors:		
Ms. Alice Kan Lai Kuen	<b>0.21</b>	0.21
Professor Japhet Sebastian Law	<b>0.15</b>	0.15
Mr. Ng Siu Chan	<b>0.21</b>	0.21
Mr. Wong Chi Keung	<b>0.26</b>	0.26
	<b>0.98</b>	0.98

For the year ended 31st December, 2015, Directors' fees entitled by the non-executive director and the independent non-executive directors of the Company also included a fee for serving as members of the Audit Committee (HK\$0.1 million per annum and HK\$0.05 million per annum as its chairman and a member, respectively), the Nomination Committee (HK\$0.03 million per annum) and the Remuneration Committee (HK\$0.03 million per annum) of the Company, where applicable, amounted to HK\$0.98 million (2014 - HK\$0.98 million), which also included fees for serving as members of the Board Committees.

There were no other emoluments payable to the non-executive directors during the year (2014 - Nil).

## Notes to Financial Statements (Cont'd)

### (b) Executive directors

	Fees HK\$'million (Note)	Salaries, allowances and benefits in kind HK\$'million	Performance related/ discretionary bonuses HK\$'million	Staff retirement scheme contributions HK\$'million	Total remuneration HK\$'million
<b>2015</b>					
Mr. Lo Yuk Sui	0.26	8.48	0.75	0.43	9.92
Miss Lo Po Man	0.20	3.87	0.25	0.15	4.47
Ms. Belinda Yeung Bik Yiu	0.10	2.38	0.46	0.23	3.17
Mr. Donald Fan Tung	0.20	0.91	0.21	0.09	1.41
Mr. Jimmy Lo Chun To	0.20	0.98	0.08	0.04	1.30
Mr. Kenneth Ng Kwai Kai	0.25	1.57	0.27	0.13	2.22
Mr. Allen Wan Tze Wai	0.10	0.99	0.19	0.10	1.38
	<u>1.31</u>	<u>19.18</u>	<u>2.21</u>	<u>1.17</u>	<u>23.87</u>
<b>2014</b>					
Mr. Lo Yuk Sui	0.26	8.69	0.86	0.41	10.22
Miss Lo Po Man	0.20	3.81	0.29	0.14	4.44
Ms. Belinda Yeung Bik Yiu	0.10	2.26	0.51	0.22	3.09
Mr. Donald Fan Tung	0.20	0.85	0.21	0.09	1.35
Mr. Jimmy Lo Chun To	0.20	2.02	0.09	0.04	2.35
Mr. Kenneth Ng Kwai Kai	0.25	1.52	0.32	0.12	2.21
Mr. Allen Wan Tze Wai	0.10	0.92	0.19	0.09	1.30
	<u>1.31</u>	<u>20.07</u>	<u>2.47</u>	<u>1.11</u>	<u>24.96</u>

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2014-Nil).

Note:

For the year ended 31st December, 2015, the fees entitled by:

- Mr. Lo Yuk Sui also included (i) a fee of HK\$0.03 million (2014 – HK\$0.03 million) per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company; and (ii) a fee of HK\$0.1 million (2014 – HK\$0.1 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\$0.1 million (2014 – HK\$0.1 million) per annum entitled by each of these Directors for serving as a non-executive director of RPML.
- Mr. Kenneth Ng Kwai Kai also included a fee of HK\$0.1 million (2014 – HK\$0.1 million) per annum for serving as a non-executive director of RPML and a fee of HK\$0.05 million (2014 – HK\$0.05 million) per annum for serving as a member of the audit committee of RPML.

## 9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals during the year included four (2014 - five) 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 (2014 - Nil) highest paid individual, who was not a Director, are as follows:

	2015 HK\$'million	2014 HK\$'million
Salaries, allowances and benefits in kind	1.5	–
Performance related/discretionary bonuses	0.2	–
Staff retirement scheme contributions	0.1	–
	<u>1.8</u>	<u>–</u>

The emoluments of the remaining one highest paid individual for the year ended 31st December, 2015 fell within the band of HK\$1,500,001 to HK\$2,000,000.

## 10. INCOME TAX

	2015 HK\$'million	2014 HK\$'million
Current – Hong Kong		
Charge for the year	83.0	86.8
Overprovision in prior years	(1.9)	(10.7)
Current – Overseas		
Charge for the year	0.9	0.6
Deferred (note 29)	(45.1)	(83.3)
Total tax charge/(credit) for the year	<u>36.9</u>	<u>(6.6)</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2014 - 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.



## Notes to Financial Statements (Cont'd)

A reconciliation of the tax expense/(credit) 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/(credit) at the effective tax rate is as follows:

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Profit before tax	<b>196.8</b>	450.1
Tax at the Hong Kong statutory tax rate of 16.5% (2014 - 16.5%)	<b>32.5</b>	74.3
Adjustments in respect of current tax of previous years	<b>(1.9)</b>	(10.7)
Profits and losses attributable to joint ventures and associates	<b>1.3</b>	(12.5)
Higher tax rates of other jurisdictions	<b>0.3</b>	0.2
Income not subject to tax	<b>(40.9)</b>	(37.9)
Expenses not deductible for tax	<b>33.5</b>	38.5
Tax losses utilised from previous years	<b>(6.7)</b>	(14.3)
Tax losses not recognised during the year	<b>20.0</b>	18.7
Recognition of deferred tax assets previously not recognised	–	(62.4)
Others	<b>(1.2)</b>	(0.5)
Tax charge/(credit) at the Group's effective rate	<b>36.9</b>	(6.6)

The share of tax credit attributable to a joint venture and associates amounting to HK\$0.1 million and Nil, respectively (2014 - share of tax charge of HK\$0.1 million and HK\$4.2 million, respectively), is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

**11. DIVIDENDS**

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Interim - HK4.0 cents (2014 - HK4.0 cents) per ordinary share	<b>37.0</b>	37.0
Proposed final - HK9.0 cents (2014 - HK12.0 cents) per ordinary share	<b>83.2</b>	110.9
	<b>120.2</b>	147.9

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\$119.0 million (2014 - HK\$410.3 million) and on the weighted average of 924.1 million (2014 - 929.5 million) ordinary shares of the Company in issue during the year.

## (b) Diluted earnings per ordinary share

No adjustment has been made to the basic earnings per ordinary share amount presented for the years ended 31st December, 2015 and 2014 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	Leasehold improvements HK\$'million	Furniture, fixtures and equipment HK\$'million	Motor vehicles HK\$'million	Aircraft HK\$'million	Construction in progress HK\$'million	Total HK\$'million
<b>31st December, 2015</b>								
At 31st December, 2014 and at 1st January, 2015:								
Cost	16,891.9	202.6	320.0	229.5	2.7	179.8	5.6	17,832.1
Accumulated depreciation	(1,547.1)	(8.6)	(91.5)	(107.3)	(2.3)	(22.5)	-	(1,779.3)
Net carrying amount	<u>15,344.8</u>	<u>194.0</u>	<u>228.5</u>	<u>122.2</u>	<u>0.4</u>	<u>157.3</u>	<u>5.6</u>	<u>16,052.8</u>
At 1st January, 2015, net of accumulated depreciation								
	15,344.8	194.0	228.5	122.2	0.4	157.3	5.6	16,052.8
Additions	-	-	73.0	26.6	0.7	363.5	9.8	473.6
Transfer	-	-	0.3	5.3	-	-	(5.6)	-
Transfer to properties held for sale, net	-	(12.9)	(0.4)	-	-	-	-	(13.3)
Write-off/disposals	-	-	(0.3)	-	(0.6)	(124.4)	-	(125.3)
Write-back of depreciation upon write-off/disposals/transfer	-	3.3	0.3	-	0.6	6.7	-	10.9
Depreciation provided during the year	(382.0)	(5.9)	(38.0)	(45.2)	(0.2)	(39.9)	-	(511.2)
Exchange realignment	(11.8)	-	-	-	-	(0.1)	-	(11.9)
At 31st December, 2015, net of accumulated depreciation	<u>14,951.0</u>	<u>178.5</u>	<u>263.4</u>	<u>108.9</u>	<u>0.9</u>	<u>363.1</u>	<u>9.8</u>	<u>15,875.6</u>
At 31st December, 2015:								
Cost	16,879.9	189.7	392.6	261.2	2.8	418.8	9.8	18,154.8
Accumulated depreciation	(1,928.9)	(11.2)	(129.2)	(152.3)	(1.9)	(55.7)	-	(2,279.2)
Net carrying amount	<u>14,951.0</u>	<u>178.5</u>	<u>263.4</u>	<u>108.9</u>	<u>0.9</u>	<u>363.1</u>	<u>9.8</u>	<u>15,875.6</u>

	Hotel land and buildings HK\$'million	Leasehold properties HK\$'million	Leasehold improvements HK\$'million	Furniture, fixtures and equipment HK\$'million	Motor vehicles HK\$'million	Aircraft HK\$'million	Construction in progress HK\$'million	Total HK\$'million
<b>31st December, 2014</b>								
At 1st January, 2014:								
Cost	14,387.0	5.3	265.6	185.9	2.8	180.3	4.3	15,031.2
Accumulated depreciation	(1,188.0)	(2.7)	(60.3)	(67.8)	(2.5)	(5.7)	-	(1,327.0)
Net carrying amount	<u>13,199.0</u>	<u>2.6</u>	<u>205.3</u>	<u>118.1</u>	<u>0.3</u>	<u>174.6</u>	<u>4.3</u>	<u>13,704.2</u>
At 1st January, 2014, net of accumulated depreciation								
	13,199.0	2.6	205.3	118.1	0.3	174.6	4.3	13,704.2
Additions	2,387.1	-	55.1	40.7	0.3	-	4.4	2,487.6
Acquisition of a business (note 32)	123.1	-	-	-	-	-	-	123.1
Transfer	-	-	-	3.1	-	-	(3.1)	-
Transfer from properties held for sale	-	197.3	-	-	-	-	-	197.3
Write-off/disposals	-	-	(0.7)	(0.2)	(0.4)	-	-	(1.3)
Write-back of depreciation upon write-off/disposals	-	-	0.6	0.2	0.4	-	-	1.2
Depreciation provided during the year	(359.1)	(5.9)	(31.8)	(39.7)	(0.2)	(16.8)	-	(453.5)
Exchange realignment	(5.3)	-	-	-	-	(0.5)	-	(5.8)
At 31st December, 2014, net of accumulated depreciation	<u>15,344.8</u>	<u>194.0</u>	<u>228.5</u>	<u>122.2</u>	<u>0.4</u>	<u>157.3</u>	<u>5.6</u>	<u>16,052.8</u>
At 31st December, 2014:								
Cost	16,891.9	202.6	320.0	229.5	2.7	179.8	5.6	17,832.1
Accumulated depreciation	(1,547.1)	(8.6)	(91.5)	(107.3)	(2.3)	(22.5)	-	(1,779.3)
Net carrying amount	<u>15,344.8</u>	<u>194.0</u>	<u>228.5</u>	<u>122.2</u>	<u>0.4</u>	<u>157.3</u>	<u>5.6</u>	<u>16,052.8</u>

At 31st December, 2015, the Group's property, plant and equipment with a net carrying amount of HK\$10,550.7 million (2014 - HK\$10,863.8 million) were pledged to secure banking facilities granted to the Group.

14. INVESTMENT PROPERTIES

	2015 HK\$'million	2014 HK\$'million
Carrying amount at 1st January	1,074.0	947.0
Capital expenditure for the year	0.7	–
Transfer from properties held for sale	–	120.0
Net gain/(loss) from fair value adjustments	(4.7)	7.0
	<u>1,070.0</u>	<u>1,074.0</u>
Carrying amount at 31st December	<u>1,070.0</u>	<u>1,074.0</u>

The Directors of the Company determined the Group's investment properties into different classes of asset based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31st December, 2015 based on valuations performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK\$1,070.0 million. Each year, the Group's management selects the external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management also has discussions with the valuers on the valuation assumptions and valuation results twice a year when the 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 38(a) to the financial statements.

At 31st December, 2015, the Group's investment properties with a carrying value of HK\$328.0 million (2014 - HK\$319.0 million) were pledged to secure banking facilities granted to the Group.

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

**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, 2015 using			Total HK\$'million
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$'million	HK\$'million	HK\$'million	
Residential properties	–	–	861.0	861.0
Commercial properties	–	–	209.0	209.0
	–	–	1,070.0	1,070.0

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

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 (2014 - Nil).

## Notes to Financial Statements (Cont'd)

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

	<b>Residential properties HK\$'million</b>	<b>Commercial properties HK\$'million</b>
Carrying amount at 1st January, 2014	767.0	180.0
Transfer from properties held for sale	120.0	–
Gain/(loss) from fair value adjustments	(11.0)	18.0
Carrying amount at 31st December, 2014 and 1st January, 2015	876.0	198.0
Capital expenditure for the year	0.7	–
Gain/(loss) from fair value adjustments	(15.7)	11.0
Carrying amount at 31st December, 2015	<u>861.0</u>	<u>209.0</u>

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	
			2015	2014
Residential properties	Sales comparison approach	Estimated market price per square foot	HK\$23,210 to HK\$33,352	HK\$23,541 to HK\$33,913
Commercial properties	Discounted cash flow method	Capitalisation rate	3.25% to 3.75%	3.25% to 3.75%
		Discount rate	6.25% to 6.75%	6.25% to 6.75%
		Estimated rental value per square metre and per month	HK\$499 to HK\$1,478	HK\$438 to HK\$1,638

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

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life 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.

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

## 15. INVESTMENTS IN JOINT VENTURES

	2015 HK\$'million	2014 HK\$'million
Share of net assets	1,351.0	1,421.4
Unrealised income and gain eliminated	(121.7)	(70.5)
Loans to a joint venture	2,079.4	1,894.2
Amount due from a joint venture	18.9	13.4
	<u>3,327.6</u>	<u>3,258.5</u>

The loans to a joint venture are unsecured, interest-free and have no fixed terms of repayment except for (i) an amount of HK\$412.6 million (2014 - HK\$842.2 million) which is interest bearing at 4% per annum and (ii) an amount of HK\$1,165.4 million (2014 - HK\$568.6 million) which is interest bearing at 5% per annum. In the opinion of the Directors, these loans are considered as part of the Group's net investments in the joint ventures.

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		Principal activities
			2015	2014	
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.



## Notes to Financial Statements (Cont'd)

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

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

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
<b>Faith Crown</b>		
Non-current assets	<b>1,190.8</b>	1,190.8
Current assets	<b>17.8</b>	17.8
Current liabilities	<b>(40.6)</b>	(40.6)
Net assets	<b><u>1,168.0</u></b>	<u>1,168.0</u>
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	<b>50%</b>	50%
Group's share of net assets of the joint venture and carrying amount of the investment	<b><u>584.0</u></b>	<u>584.0</u>
Interest income, profit for the year and total comprehensive income for the year	<b><u>59.5</u></b>	<u>59.5</u>
Dividend received by the Group from Faith Crown	<b><u>29.8</u></b>	<u>15.8</u>

	2015 HK\$'million	2014 HK\$'million
<b>P&amp;R Holdings and its subsidiaries</b>		
Non-current assets	4,173.5	3,461.9
Cash and cash equivalents	587.7	938.3
Other current assets	8,130.4	6,925.3
Current assets	8,718.1	7,863.6
Financial liabilities, excluding trade and other payables	(3,609.9)	(921.0)
Other current liabilities	(794.6)	(142.1)
Current liabilities	(4,404.5)	(1,063.1)
Non-current financial liabilities, excluding trade and other payables	(6,219.4)	(7,760.7)
Other non-current liabilities	(427.6)	(430.9)
Non-current liabilities	(6,647.0)	(8,191.6)
Net assets	1,840.1	2,070.8
Net assets attributable to equity holders of the parent	1,534.1	1,674.9
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	767.0	837.4
Unrealised interest income eliminated	(121.9)	(69.2)
Unrealised fair value loss/(gain) eliminated	0.2	(1.3)
Loans to the joint venture	2,079.4	1,894.2
Amount due from the joint venture	18.9	13.4
Carrying amount of the investment	2,743.6	2,674.5
Revenue	417.0	(6.8)
Interest income	9.9	11.7
Depreciation	(4.5)	(1.5)
Interest expenses	(119.2)	(146.8)
Income tax	0.2	(0.2)
Profit/(loss) for the year	(87.0)	1,548.0
Other comprehensive loss for the year	(143.7)	(63.3)
Total comprehensive income/(loss) for the year	(230.7)	1,484.7

At 31st December, 2015, the Group's share of maximum capital commitment as agreed for P&R Holdings in respect of its property development projects amounted to HK\$2,800.0 million (2014 - HK\$1,900.0 million) (the "P&R Capital Commitment"). At 31st December, 2015, shareholder's loans in an aggregate amount of HK\$501.4 million (2014 - HK\$913.0 million) have been contributed, none of which (2014 - Nil) has been provided under the P&R Capital Commitment. In addition, a total amount of HK\$3,123.5 million (2014 - HK\$2,363.0 million) has been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries of P&R Holdings, of which HK\$2,800.0 million (2014 - HK\$1,900.0 million) has been provided under the P&R Capital Commitment.

In addition, three (2014 - three) loan facilities totalling HK\$2,212.6 million (2014 - HK\$2,212.6 million) have been granted to P&R Holdings, of which HK\$1,578.0 million (2014 - HK\$981.2 million) has been utilised, which bear interest at fixed rates of 4% to 5% per annum (2014 - 4% to 5% per annum).

At the end of the reporting period, the Group's share of the P&R Holdings group's own capital commitments in respect of property development projects, was as follows:

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Contracted, but not provided for	<u>1,361.7</u>	<u>1,272.5</u>

### 16. INVESTMENTS IN ASSOCIATES

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Share of net assets	61.8	84.1
Amounts due from associates	<u>63.3</u>	<u>47.0</u>
	<u>125.1</u>	<u>131.1</u>

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these amounts are considered as part of the Group's net investments in the associates.

Particulars of the Group's material associates are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			2015	2014	
8D Matrix Limited ("8D Matrix")	British Virgin Islands	HK\$2,000,000	36.0 <sup>(1)</sup>	36.0 <sup>(1)</sup>	Investment holding
8D International Limited#	Hong Kong	HK\$500,000	36.0 <sup>(1)</sup>	36.0 <sup>(1)</sup>	Advertising and promotion
Century Innovative Technology Limited#	Hong Kong	HK\$1	36.0 <sup>(1)</sup>	36.0 <sup>(1)</sup>	Development and distribution of edutainment products
深圳市世紀創意科技有限公司**	PRC/ Mainland China	RMB63,000,000	36.0 <sup>(1)</sup>	36.0 <sup>(1)</sup>	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 ("Hang Fok")^	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.

<sup>(1)</sup> 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.

## Notes to Financial Statements (Cont'd)

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

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

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
<b>8D Matrix and its subsidiaries</b>		
Non-current assets	4.6	22.9
Current assets	16.0	12.4
Current liabilities	(3.4)	(4.1)
Non-current liabilities	<u>(149.9)</u>	<u>(111.7)</u>
	<b>(132.7)</b>	<b>(80.5)</b>
Non-controlling interests	<u>(0.2)</u>	<u>(0.2)</u>
Net liabilities attributable to equity holders of the parent	<u><b>(132.9)</b></u>	<u><b>(80.7)</b></u>
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	<b>30%</b>	30%
Group's share of net liabilities of the associate	<b>(39.9)</b>	(24.2)
Amount due from the associate	<u>45.0</u>	<u>33.5</u>
Carrying amount of the investment	<u><b>5.1</b></u>	<u><b>9.3</b></u>
Revenue	<b>13.8</b>	13.8
Loss for the year	<b>(51.8)</b>	(54.5)
Other comprehensive loss for the year	<b>(0.4)</b>	(0.8)
Total comprehensive loss for the year	<u><b>(52.2)</b></u>	<u><b>(55.3)</b></u>

	2015 HK\$'million	2014 HK\$'million
<b>Yieldtop and its subsidiaries</b>		
Current assets	232.6	244.0
Current liabilities	(11.2)	(20.0)
Non-current liabilities	(6.5)	(2.2)
	<u>214.9</u>	<u>221.8</u>
Net assets		
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the associate	107.5	110.9
Amount due from the associate	3.1	0.6
	<u>110.6</u>	<u>111.5</u>
Carrying amount of the investment		
Other income	0.1	243.2
Income tax	-	(8.4)
Profit/(loss) for the year and total comprehensive income/(loss) for the year	<u>(7.0)</u>	<u>225.1</u>

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

	2015 HK\$'million	2014 HK\$'million
Share of the associates' profit/(loss) for the year	(3.2)	0.5
Share of the associates' other comprehensive loss for the year	-	(2.9)
Share of the associates' total comprehensive loss for the year	(3.2)	(2.4)
Aggregate carrying amount of the Group's investments in the associates	<u>9.4</u>	<u>10.3</u>

**17. AVAILABLE-FOR-SALE INVESTMENTS**

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Unlisted equity investments, at fair value	<b>129.5</b>	106.8
Unlisted equity investment, at cost	<b>3.9</b>	—
	<b>133.4</b>	106.8

During the year, the net gains in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$22.1 million (2014 - HK\$13.6 million).

The above unlisted investments represent investments which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31st December, 2015, an unlisted equity investment with a carrying amount of HK\$3.9 million (2014 - Nil) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of the investment in the near future.

As at 31st December, 2015, the Group's unlisted equity investments with a carrying value of HK\$17.4 million (2014 - HK\$19.2 million) were pledged to secure banking facilities granted to the Group.

**18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
<b>Non-current asset:</b>		
Structured deposit, at fair value	<u>1.9</u>	<u>1.9</u>
<b>Current assets:</b>		
Listed equity investments, at market value	<b>576.8</b>	511.9
Listed debt investments, at market value	<b>218.8</b>	215.2
	<u><b>795.6</b></u>	<u>727.1</u>
	<u><b>797.5</b></u>	<u>729.0</u>

The structured deposit was designated upon initial recognition as financial assets at fair value through profit or loss as it is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investment is provided on that basis to the Group's key management personnel.

The listed equity investments and listed debt investments included under current assets at 31st December, 2015 and 2014 were classified as held for trading.

At 31st December, 2015, certain of the Group's financial assets at fair value through profit or loss with a carrying value of HK\$63.5 million (2014 – HK\$62.3 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

At 31st December, 2015, certain of the Group's financial assets at fair value through profit or loss with a carrying value of HK\$104.0 million (2014 - HK\$79.5 million) were pledged to secure banking facilities granted to the Group.



### 19. OTHER LOAN

The amount represented the outstanding balance of a loan in an original sum of US\$10.0 million (HK\$78.0 million) advanced to a hotel owner to assist in financing the interior decoration and pre-operating expenditure of its hotel in Shanghai, the PRC, which is managed by the Group. The loan was unsecured, interest-free and was originally repayable commencing from the date of the hotel opening, by way of payments equivalent to 28% of the hotel's net operating profit over the tenure of the management contract for the hotel of 15 years.

Pursuant to a new agreement signed with the hotel owner in 2009, which superseded the previous financing agreement, a partial payment of RMB20 million (approximately HK\$22.8 million) was received by the Group and the remaining balance was repayable before the then expiry date of the relevant hotel management contract in 2012.

Pursuant to a supplemental agreement signed with the hotel owner in September 2011, the term of the said hotel management contract was extended to the end of 2019 with the outstanding balance of the loan repayable in instalments, the last of which fell due no later than 2015.

At 31st December, 2014, the other loan was classified as loans and receivables and was stated at amortised cost of HK\$13.2 million calculated using the effective interest rate method. During the year, the outstanding balance of the loan was fully repaid.

### 20. INVENTORIES

	2015 HK\$'million	2014 HK\$'million
Hotel and other merchandise	<u>33.9</u>	<u>35.7</u>

### 21. PROPERTIES HELD FOR SALE

At 31st December, 2015, the Group's properties held for sale with a carrying value of HK\$263.8 million (2014 - HK\$252.6 million) were pledged to secure banking facilities granted to the Group.

## 22. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK\$1,518.3 million (2014 - HK\$1,498.2 million) representing the trade debtors of the Group.

	2015 HK\$'million	2014 HK\$'million
Trade debtors	1,520.6	1,500.5
Impairment	(2.3)	(2.3)
	<u>1,518.3</u>	<u>1,498.2</u>

### Credit terms

Included in the trade debtors of the Group is a sum of HK\$1,372.7 million (2014 - HK\$1,372.7 million) due from the Cosmopolitan group in respect of the disposal of properties under development in Tianjin which is scheduled to be settled on or before 13th September, 2016 and is interest bearing at 5% per annum. Before this trade debt and related accrued interest are fully settled, the trade debtor pledges its entire equity interests in the relevant holding company of the properties under development in favour of the Group.

Other trade debtors generally have credit terms of 30 to 90 days and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over its other trade debtor balance. Trade debtors are recognised and carried at their original invoiced amounts less impairment which is made when collection of the full amounts is no longer probable. Bad debts are written off as incurred. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

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

	2015 HK\$'million	2014 HK\$'million
Outstanding balances with ages:		
Within 3 months	125.7	112.0
Between 4 to 6 months	6.0	4.1
Between 7 to 12 months	5.3	2.7
Over 1 year	1,383.6	1,381.7
	<u>1,520.6</u>	1,500.5
Impairment	(2.3)	(2.3)
	<u>1,518.3</u>	<u>1,498.2</u>

## Notes to Financial Statements (Cont'd)

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

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
At 1st January	2.3	2.2
Impairment losses recognised (note 6)	–	0.1
At 31st December	<u>2.3</u>	<u>2.3</u>

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK\$2.3 million (2014 - HK\$2.3 million) with a gross carrying amount before provision of HK\$2.3 million (2014 - HK\$2.3 million). The individually impaired trade debtors relate to customers that were in financial difficulties and the balances are not expected to be recovered.

The aged analysis of the trade debtors that are not considered to be impaired is as follows:

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Neither past due nor impaired	1,454.5	1,446.7
Within 3 months past due	44.3	38.2
4 to 6 months past due	6.4	4.0
7 to 12 months past due	4.5	2.7
Over 1 year past due	8.6	6.6
	<u>1,518.3</u>	<u>1,498.2</u>

Trade debtors that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of diversified independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's debtors, deposits and prepayments are amounts due from fellow subsidiaries of HK\$1,396.8 million (2014 - HK\$1,398.3 million).

**23. HELD-TO-MATURITY INVESTMENTS**

At 31st December, 2015, the amount represented unlisted certificates of deposit with fixed maturity dates. All unlisted certificates of deposit are denominated in Renminbi with fixed interest rates ranging from 3.1% to 3.4% per annum (2014 - 2.8% to 4.0% per annum), except for an amount of HK\$77.6 million at 31st December, 2014 which was denominated in United States dollars with fixed interest rate of 1.6% per annum.

At 31st December, 2015, the Group's held-to-maturity investments with a carrying amount of HK\$201.2 million (2014 - HK\$220.8 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

At 31st December, 2014, certain of the Group's held-to-maturity investments with a carrying amount of HK\$90.0 million were pledged to secure banking facilities granted to the Group.

**24. RESTRICTED CASH**

At 31st December, 2015, the Group had approximately HK\$46.4 million (2014 - HK\$47.2 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\$76.4 million (2014 - HK\$93.0 million) representing the trade creditors of the Group. The aged analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Outstanding balances with ages:		
Within 3 months	<b>76.3</b>	92.1
Between 4 to 6 months	–	0.2
Between 7 to 12 months	–	0.3
Over 1 year	<b>0.1</b>	0.4
	<b>76.4</b>	93.0

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 an associate and fellow subsidiaries of HK\$1.4 million (2014 - HK\$1.6 million) and HK\$2.7 million (2014 - HK\$2.9 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

26. INTEREST BEARING BANK BORROWINGS

	2015		2014	
	Maturity	HK\$'million	Maturity	HK\$'million
<b>Current</b>				
Bank loans – secured	2016	279.9	2015	510.9
<b>Non-current</b>				
Bank loans – secured	2018-2019	6,187.0	2016-2019	6,362.1
		<u>6,466.9</u>		<u>6,873.0</u>

	2015 HK\$'million	2014 HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	279.9	510.9
In the second year	–	191.4
In the third to fifth years, inclusive	<u>6,187.0</u>	<u>6,170.7</u>
	<u>6,466.9</u>	<u>6,873.0</u>

The agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$300.0 million (the "2013 IH Facilities") was entered into on 23rd July, 2013 by Regal REIT group, through its wholly owned subsidiaries, namely, Bauhinia Hotels Limited and Rich Day Investments Limited as the borrowers, for a term of five years to July 2018, and is secured by three of the five initial Regal Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. On 23rd July 2015, Regal REIT group cancelled the HK\$300.0 million revolving loan facility under the 2013 IH Facilities as it had other unutilised revolving loan facilities available which bear lower rates of interest. As at 31st December, 2015, the outstanding amount under the 2013 IH Facilities was HK\$4,500.0 million, comprising the full amount of the term loan facility. The Regal REIT group entered into interest rate swap arrangements to hedge against interest rate exposure for the term loan facility for a notional amount of HK\$3.0 billion, details of which are set out in note 28 to the financial statements.

On 22nd December, 2014, a term loan facility agreement for a principal amount of HK\$440.0 million (the "2014 WC Facility") was entered into, for a term of 5 years to December 2019 by Sonnix Limited, a wholly owned subsidiary of Regal REIT group. The 2014 WC Facility, secured by the iclub Wan Chai Hotel, was fully drawn with the proceeds having been applied mainly for the repayment of the previous term loan facility which was entered into in 2012. As at 31st December, 2015, the outstanding amount on the 2014 WC Facility was HK\$440.0 million.

On 10th February, 2014, 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 "2014 SW Facilities"), secured by the iclub Sheung Wan Hotel. The 2014 SW Facilities have a term of five years to February 2019. As at 31st December, 2015, the utilised 2014 SW Facilities amounted to HK\$632.0 million.

On 28th July, 2014, 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 "2014 FH Facilities"), secured by the iclub Fortress Hill Hotel. The 2014 FH Facilities have a term of five years to July 2019. As at 31st December, 2015, the utilised 2014 FH Facilities amounted to HK\$660.0 million under the term loan facility and part of the revolving loan facility amounted to HK\$70.0 million.

As at 31st December, 2015, the outstanding loan facilities of Regal REIT group bear interest at the Hong Kong Interbank Offered Rates ("HIBOR") plus an interest margin ranging from 1.4% to 1.62% per annum (2014 - ranging from 1.4% to 1.62% per annum).

Bank borrowings under the 2013 IH Facilities, the 2014 WC Facility, the 2014 SW Facilities and the 2014 FH Facilities are guaranteed by Regal REIT and/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, 2015, the Group's other bank borrowings bear interest at HIBOR plus 1.5% per annum (2014 - HIBOR plus 1.5% per annum) except for a bank loan of HK\$18.5 million (2014 - HK\$230.0 million, in aggregate), which bears interest at the bank's cost of fund plus 0.75% per annum (2014 - bank's cost of fund plus 0.75% per annum). The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 36 to the financial statements.

As at 31st December, 2015, all interest bearing bank borrowings are denominated in Hong Kong dollars except for a bank loan of HK\$18.5 million which is denominated in Euro.

As at 31st December, 2014, all interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$209.5 million, in aggregate, which were denominated in United States dollars and a bank loan of HK\$20.5 million which was denominated in Euro.

**27. OTHER BORROWINGS**

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Unsecured other borrowings repayable:		
In the second year	<b>2,312.6</b>	—
In the third to fifth years, inclusive	<b>1,929.3</b>	4,234.3
	<b>4,241.9</b>	4,234.3

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

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

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

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

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

## 28. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>ASSETS</b>	
	<b>2015 HK\$'million</b>	<b>2014 HK\$'million</b>
Foreign currency forward contracts	<u>4.7</u>	<u>–</u>
	<b>LIABILITIES</b>	
	<b>2015 HK\$'million</b>	<b>2014 HK\$'million</b>
Interest rate swaps – cash flow hedges	–	2.1
Foreign currency option and forward contracts	–	1.3
	<u>–</u>	<u>3.4</u>

The Regal REIT group used interest rate swaps to minimise its exposure to movements in interest rates in relation to a certain portion of its floating rate term loans. As at 31st December, 2014, the interest rate swaps had an aggregate amount of HK\$3.0 billion (note 26) with the fixed swap interest rates ranging from 0.355% to 0.483% per annum. The interest rate swaps expired on 9th March, 2015.

In addition, the Group has entered into foreign currency option and forward contracts which are not designated for hedge purposes and are measured at fair value through profit or loss. A fair value gain on non-hedging foreign currency option and forward contracts of HK\$4.7 million was credited to the statement of profit or loss during the year (2014 - fair value loss of HK\$1.3 million).



## 29. DEFERRED TAX

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

	Depreciation allowances in excess of related depreciation HK\$'million	Depreciation in excess of related depreciation allowances HK\$'million	Losses available for offsetting against future taxable profits HK\$'million	Fair value adjustments arising from acquisition of a business HK\$'million	Total HK\$'million
Gross deferred tax assets/(liabilities) at 1st January, 2014	(1,047.2)	–	6.1	–	(1,041.1)
Acquisition of a business (note 32)	–	–	–	(15.1)	(15.1)
Deferred tax credited to the statement of profit or loss during the year (note 10)	15.6	1.6	66.0	0.1	83.3
Exchange differences	–	–	–	0.6	0.6
Gross deferred tax assets/(liabilities) at 31st December, 2014 and at 1st January, 2015	(1,031.6)	1.6	72.1	(14.4)	(972.3)
Deferred tax credited to the statement of profit or loss during the year (note 10)	35.3	0.6	9.1	0.1	45.1
Exchange differences	–	–	–	1.5	1.5
Gross deferred tax assets/(liabilities) at 31st December, 2015	<u>(996.3)</u>	<u>2.2</u>	<u>81.2</u>	<u>(12.8)</u>	<u>(925.7)</u>

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:

	2015 HK\$'million	2014 HK\$'million
Net deferred tax assets recognised in the consolidated statement of financial position	79.1	62.4
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(1,004.8)</u>	<u>(1,034.7)</u>
	<u>(925.7)</u>	<u>(972.3)</u>

The Group has unrecognised tax losses arising in Hong Kong amounting to HK\$2,950.6 million (2014 - HK\$2,872.7 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\$486.8 million (2014 - HK\$474.0 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, 2015, 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\$16.7 million at 31st December, 2015 (2014 - HK\$19.2 million).

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

**30. SHARE CAPITAL AND SHARE PREMIUM**

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
<b>Shares</b>		
Authorised:		
2,000.0 million (2014 - 2,000.0 million) ordinary shares of HK\$0.10 each	<b>200.0</b>	200.0
0.1 million (2014 - 0.1 million) 5¼% convertible cumulative redeemable preference shares of US\$10 each	<b>1.3</b>	1.3
	<b>201.3</b>	<b>201.3</b>
Issued and fully paid:		
924.1 million (2014 - 924.1 million) ordinary shares of HK\$0.10 each	<b>92.4</b>	92.4
<b>Share premium</b>		
Ordinary shares	<b>554.0</b>	554.0

A summary of the movements in the Company's share capital and share premium account during the years ended 31st December, 2015 and 2014 is as follows:

	Authorised		Issued and fully paid		Share premium account
	Number of shares 'million	Amount HK\$'million	Number of shares 'million	Amount HK\$'million	Amount HK\$'million
<b>Ordinary shares</b>					
At 1st January, 2014	2,000.0	200.0	944.0	94.4	648.0
Repurchase and cancellation of ordinary shares (note)	—	—	(19.9)	(2.0)	(94.0)
At 31st December, 2014, 1st January, 2015 and 31st December, 2015	2,000.0	200.0	924.1	92.4	554.0
<b>5¼% convertible cumulative redeemable preference shares of US\$10 each</b>					
At 1st January, 2014, 31st December, 2014, 1st January, 2015 and 31st December, 2015	0.1	1.3	—	—	—
<b>Total share capital</b>					
At 31st December, 2015		<b>201.3</b>		<b>92.4</b>	<b>554.0</b>
At 31st December, 2014		201.3		92.4	554.0

Note:

All ordinary shares repurchased during the year ended 31st December, 2014 were cancelled during that year, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The premium and related expenses paid on the repurchases of the ordinary shares of HK\$94.0 million were charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

### Share options

The Company operated a share option scheme named as "The Regal Hotels International Holdings Limited Share Option Scheme" (the "Share Option Scheme"). The Share Option Scheme was adopted by the Company's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options previously granted under the Share Option Scheme did not confer rights on the holders to dividends or to vote at shareholders' meetings. The life of the Share Option Scheme ended on 15th June, 2015.

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

The summarised information on the Share Option Scheme is set out as follows:

- |   |   |
|---|---|
| (i) Purpose:  | To provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons  |
| (ii) Participants:  | Eligible person means any person who is either (i) an eligible employee; (ii) a Non-Executive Director (including any Independent Non-Executive Directors); (iii) a direct or indirect shareholder of any member of the Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or (vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants, as notified by the Board that he is an eligible person |
| (iii) Total number of ordinary shares subject to outstanding options under the Share Option Scheme and as a percentage of the issued share capital as at 15th June, 2015: | Nil   |

- |  |  |
|--|--|
| (iv) Maximum entitlement of each participant under the Share Option Scheme:  | Not exceeding 1% of the offer ordinary shares of the Company in issue as of the offer date in any 12 month period  |
| (v) The period within which the shares must be taken up under an option:   | From the time when the options become vested to no later than ten years after the offer date   |
| (vi) Minimum period for which an option must be held before it can be exercised:   | No minimum period unless otherwise determined by the Board at the time of the approval of the grant  |
| (vii) Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid: | N/A  |
| (viii) The basis of determining the exercise price:  | Determined by the Board (subject to any necessary consent or approval being obtained) and shall not be less than the higher of (i) the closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary shares of the Company |
| (ix) The life of the Share Option Scheme:  | The life of the Share Option Scheme commenced from 16th June, 2005, date of adoption, and ended on 15th June, 2015   |

### 31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 76 and 77.

### 32. BUSINESS COMBINATION

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

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

	<b>Fair value recognised on acquisition HK\$'million</b>
Property, plant and equipment (note 13)	123.1
Inventories	0.6
Debtors, deposits and prepayments	2.3
Cash and bank balances	0.1
Creditors and accruals	(7.0)
Deferred tax liabilities (note 29)	(15.1)
	<hr/>
Total identifiable net assets at fair value	104.0
Gain on bargain purchase recognised in the consolidated statement of profit or loss	(35.0)
	<hr/>
Satisfied by cash	<u>69.0</u>

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

The Group incurred transaction costs of HK\$12.4 million for this acquisition, which had been expensed and included in administrative expenses in the consolidated statement of profit or loss for the year ended 31st December, 2014.

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

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

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

It was impracticable to disclose the information as if the combination had taken place at the beginning of the year ended 31st December, 2014 since the Group had no full access to the accounting books and records of the Spain Business for the period prior to the date of acquisition.



### 33. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2015	2014
Percentage of equity interest held by non-controlling interests of Regal REIT	<u>25.42%</u>	<u>25.42%</u>
	<b>2015 HK\$'million</b>	<b>2014 HK\$'million</b>
Profit for the year allocated to non-controlling interests of the Regal REIT group	<u>39.9</u>	<u>45.6</u>
Dividends paid to non-controlling interests of the Regal REIT group	<u>134.1</u>	<u>130.0</u>
Accumulated balances of non-controlling interests of the Regal REIT group at the reporting date	<u>1,145.4</u>	<u>1,239.5</u>

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

	2015 HK\$'million	2014 HK\$'million
Revenue	1,001.7	1,000.7
Profit for the year, before distributions to unitholders	156.8	179.2
Total comprehensive income for the year, before distributions to unitholders	<u>157.5</u>	<u>181.2</u>
Non-current assets	15,411.5	15,754.8
Current assets	118.4	168.5
Current liabilities	(220.9)	(234.9)
Non-current liabilities	<u>(9,111.0)</u>	<u>(9,120.2)</u>
Net cash flows from operating activities	600.6	540.9
Net cash flows used in investing activities	(107.0)	(1,317.6)
Net cash flows from/(used in) financing activities	<u>(515.5)</u>	<u>787.6</u>
Net increase/(decrease) in cash and cash equivalents	<u>(21.9)</u>	<u>10.9</u>

**34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**

## (a) Cash and cash equivalent balances

At the end of the reporting period, the cash and bank balances of the Group amounting to HK\$216.4 million (2014 - HK\$158.5 million) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

## (b) Major non-cash transactions

	2015 HK\$'million	2014 HK\$'million
Security deposits, maintenance liabilities and other liabilities assumed in purchases of aircraft	<u>158.8</u>	<u>–</u>
Security deposits and maintenance liabilities settled upon disposals of aircraft	<u>49.8</u>	<u>–</u>

**35. 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	2015 HK\$'million	2014 HK\$'million
Fellow subsidiaries:			
Management fees	(i)	34.9	30.0
Development consultancy fees	(ii)	4.5	–
Service fees in respect of security systems and products and other software	(iii)	1.2	1.4
Repairs and maintenance fees and construction fees	(iv)	0.5	0.5
An associate:			
Advertising and promotion fees (including cost reimbursements)	(v)	12.5	13.6
A joint venture:			
Gross interest income	(vi)	140.4	155.7
Acquisition of the iclub Sheung Wan Hotel and related current assets	(vii)	–	1,581.1
Acquisition of the iclub Fortress Hill Hotel and related current assets	(viii)	<u>–</u>	<u>1,651.4</u>

### Notes:

- (i) The management fees included rentals and other overheads allocated from a wholly owned subsidiary of CCIHL, either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, PHL, Cosmopolitan and the Company based on the distribution of job responsibilities and the estimated time spent by the relevant staff in serving each of the four groups.
- (ii) The development consultancy fees were paid to a fellow subsidiary for various services provided, which include advisory, supervisory, architectural and design services in connection with the room extension and other renovation projects of the hotels operated by the Group. The fees were charged at agreed rates of the estimated cost of individual projects.
- (iii) Fees were paid to certain fellow subsidiaries for the purchases and maintenance services of the security systems and products and other software installed in the Group's hotel properties. The fees were charged based on cost plus a margin depending on the nature and location of the work performed.
- (iv) Fees were paid to a fellow subsidiary for providing repairs and maintenance and construction works for the Group's hotel properties. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.
- (v) The advertising and promotion fees paid to an associate comprised a retainer 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 a fixed rate of 4% to 5% per annum (2014 - 4% to 5% per annum) and interest income on consideration receivable from Cosmopolitan group in respect of the sale of a property development project at 5% per annum (2014 - 5% per annum). In the prior year, the amount also included interest income on the deposits paid to P&R Holdings in respect of the acquisition of a hotel property and the cash collateral paid to the P&R Holdings under an option agreement to acquire another hotel property, both at 4.3047% per annum.
- (vii) On 10th February, 2014, Regal REIT group completed the acquisition of the iclub Sheung Wan Hotel from P&R Holdings in accordance with a share purchase agreement at a total consideration of HK\$1,581.1 million, comprised of the purchase price of HK\$1,580.0 million and a current assets adjustment of HK\$1.1 million.
- (viii) On 28th July, 2014, Regal REIT group completed the acquisition of the iclub Fortress Hill Hotel from P&R Holdings in accordance with an option agreement at a total consideration of HK\$1,651.4 million, comprised of the final exercise price of HK\$1,650.0 million and a current assets adjustment of HK\$1.4 million.

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

(b) Outstanding balances with related parties:

	Notes	2015 HK\$'million	2014 HK\$'million
Due from fellow subsidiaries	(i)	1,396.8	1,398.3
Due to an associate	(ii)	(1.4)	(1.6)
Due to subsidiaries	(ii)	(2.7)	(2.9)
Loans to a joint venture	(iii)	2,079.4	1,894.2
Due from a joint venture	(iii)	18.9	13.4
Due from associates	(iv)	63.3	47.0
		<u>63.3</u>	<u>47.0</u>

Notes:

- (i) Details of the amounts due from fellow subsidiaries are included in "Debtors, deposits and prepayments" in note 22 to the financial statements.
- (ii) Details of the amounts due to an associate and fellow subsidiaries are included in "Creditors, deposits received and accruals" in note 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 15 to the financial statements.
- (iv) Details of the amounts due from associates are included in "Investments in associates" in note 16 to the financial statements.

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

	2015 HK\$'million	2014 HK\$'million
Short term employee benefits	27.6	29.1
Staff retirement scheme contributions	1.5	1.5
Total compensation paid to key management personnel	<u>29.1</u>	<u>30.6</u>

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

The related party transaction set out in note 35(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.

The related party transactions set out in note 35(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 35(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 35(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 35(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 35(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 note 35(a)(v) 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 35(a)(vi), (vii) and (viii) above were contemplated under transactions (the "Transactions") which constituted connected transactions to the Company subject to the Relevant Requirements. The Relevant Requirements with respect to the Transactions had been complied with.

Relevant disclosures and other requirements, including, inter alia, independent shareholders' approval (where required) in accordance with the Listing Rules with respect to the connected or continuing connected transactions during the prior year set out in note 35(a) had been made or met or otherwise exempted.

### 36. PLEDGE OF ASSETS

At 31st December, 2015, certain of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK\$462.1 million (2014 - HK\$454.6 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT, and certain of the Group's property, plant and equipment, investment properties, properties held for sale, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances in the total amount of HK\$11,412.8 million (2014 - HK\$11,780.0 million) were also pledged to secure other banking facilities granted to the Group.

### 37. CONTINGENT LIABILITIES

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

	2015 HK\$'million	2014 HK\$'million
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture	<u>3,123.5</u>	<u>2,363.0</u>

At 31st December, 2015, the banking facilities granted to certain subsidiaries of a joint venture subject to corporate guarantees given on a several basis to banks by the Group were utilised to the extent of HK\$1,540.1 million (2014 - HK\$1,100.2 million).

### 38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain retail space and areas of its hotel properties and aircraft under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

The Group also leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 2 to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 31st December, 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 HK\$'million	2014 HK\$'million
Within one year	<u>142.1</u>	87.2
In the second to fifth years, inclusive	<u>131.7</u>	<u>141.5</u>
	<u>273.8</u>	<u>228.7</u>

## Notes to Financial Statements (Cont'd)

(b) As lessee

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

At 31st December, 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK\$'million	2014 HK\$'million
Land and buildings:		
Within one year	11.6	10.6
In the second to fifth years, inclusive	3.6	3.2
After five years	0.2	0.5
	<u>15.4</u>	<u>14.3</u>
Other equipment:		
Within one year	0.4	0.3
In the second to fifth years, inclusive	1.3	0.7
	<u>1.7</u>	<u>1.0</u>
	<u><u>17.1</u></u>	<u><u>15.3</u></u>

### 39. COMMITMENTS

In addition to the Group's share of a joint venture's own capital commitments detailed in note 15 and the operating lease commitments detailed in note 38(b) above, the Group had the following capital commitments at the end of the reporting period:

	2015 HK\$'million	2014 HK\$'million
Contracted, but not provided for:		
Aircraft	-	253.7
	<u><u>-</u></u>	<u><u>253.7</u></u>

**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:

**2015****Financial assets**

	Financial assets at fair value through profit or loss					Total HK\$'million
	- designated as such upon initial recognition HK\$'million	- held for trading HK\$'million	Available-for-sale investments HK\$'million	Loans and receivables HK\$'million	Held-to-maturity investments HK\$'million	
Trade debtors (note 22)	-	-	-	1,518.3	-	1,518.3
Other financial assets included in debtors, deposits and prepayments	-	-	-	107.5	-	107.5
Financial assets at fair value through profit or loss (note 18)	1.9	795.6	-	-	-	797.5
Derivative financial instruments (note 28)	-	4.7	-	-	-	4.7
Available-for-sale investments (note 17)	-	-	133.4	-	-	133.4
Held-to-maturity investments	-	-	-	-	201.2	201.2
Restricted cash	-	-	-	46.4	-	46.4
Pledged time deposits and bank balances	-	-	-	346.3	-	346.3
Time deposits	-	-	-	400.2	-	400.2
Cash and bank balances	-	-	-	780.3	-	780.3
	<b>1.9</b>	<b>800.3</b>	<b>133.4</b>	<b>3,199.0</b>	<b>201.2</b>	<b>4,335.8</b>

**Financial liabilities**

Trade creditors (note 25)  
Other financial liabilities included in creditors, deposits received and accruals  
Interest bearing bank borrowings (note 26)  
Other borrowings (note 27)

Financial liabilities at amortised cost  
HK\$'million

76.4

375.4

6,466.9

4,241.9

**11,160.6**



2014

Financial assets

	Financial assets at fair value through profit or loss					Total HK\$'million
	- designated as such upon initial recognition HK\$'million	- held for trading HK\$'million	Available-for-sale investments HK\$'million	Loans and receivables HK\$'million	Held-to-maturity investments HK\$'million	
Other loan (note 19)	-	-	-	13.2	-	13.2
Trade debtors (note 22)	-	-	-	1,498.2	-	1,498.2
Other financial assets included in debtors, deposits and prepayments	-	-	-	129.8	-	129.8
Financial assets at fair value through profit or loss (note 18)	1.9	727.1	-	-	-	729.0
Available-for-sale investments (note 17)	-	-	106.8	-	-	106.8
Held-to-maturity investments	-	-	-	-	378.1	378.1
Restricted cash	-	-	-	47.2	-	47.2
Pledged time deposits and bank balances	-	-	-	327.4	-	327.4
Time deposits	-	-	-	435.4	-	435.4
Cash and bank balances	-	-	-	1,008.0	-	1,008.0
	<u>1.9</u>	<u>727.1</u>	<u>106.8</u>	<u>3,459.2</u>	<u>378.1</u>	<u>4,673.1</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost HK\$'million	Total HK\$'million
	- held for trading HK\$'million	- designated as hedging instruments HK\$'million		
Trade creditors (note 25)	-	-	93.0	93.0
Other financial liabilities included in creditors, deposits received and accruals	-	-	235.4	235.4
Derivative financial instruments (note 28)	1.3	2.1	-	3.4
Interest bearing bank borrowings (note 26)	-	-	6,873.0	6,873.0
Other borrowings (note 27)	-	-	4,234.3	4,234.3
	<u>1.3</u>	<u>2.1</u>	<u>11,435.7</u>	<u>11,439.1</u>

**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, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by the 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, 2015***

	Fair value measurement using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Available-for-sale investments:				
Unlisted equity investments	–	–	129.5	129.5
Financial assets at fair value through profit or loss:				
Listed equity investments	560.1	16.7	–	576.8
Listed debt investments	–	218.8	–	218.8
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	4.7	–	4.7
	<b>560.1</b>	<b>242.1</b>	<b>129.5</b>	<b>931.7</b>

## Notes to Financial Statements (Cont'd)

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

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

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

	2015 HK\$'million	2014 HK\$'million
Available-for-sale investments – unlisted:		
At 1st January	106.8	9.1
Purchases	0.6	84.1
Total gains recognised in other comprehensive income	22.1	13.6
At 31st December	<u>129.5</u>	<u>106.8</u>

**Liabilities measured at fair value as at 31st December, 2015**

The Group did not have any financial liabilities measured at fair value as at 31st December, 2015.

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

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

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 (2014 - Nil).

**Valuation techniques**

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

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

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

The fair values of certain listed equity investments, listed debt investments and a structured deposit are determined based on the 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 available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, trade debtors and trade creditors, which arise directly from its operations.

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

### Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with floating interest rates. The interest rates and terms of repayment of the Group's interest bearing bank borrowings are disclosed in note 26 to the financial statements. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The Group had put in place interest rate swap arrangements, which expired on 9th March, 2015, to limit the variability in cash flows attributable to changes in interest rates of certain borrowings. This involved fixing portions of interest payable on its underlying borrowings through derivative instruments. Details of interest rate swaps are set out in note 28 to the financial statements. These swaps were designated to hedge underlying bank borrowing obligations.

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\$64.9 million (2014 - HK\$37.1 million). A 10 basis point decrease in interest rates would have increased the Group's profit before tax for the current year by HK\$6.5 million (2014 - HK\$3.7 million).

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

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

### Credit risk

The Group's major exposure to the credit risk arises from the default of the trade debtors, with a maximum exposure equal to their carrying amounts. The Group only grants credit after making credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 22 to the financial statements.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group will raise funds from different sources, including through the financial market or realisation of its assets, if required.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2015		
	Within 1 year or on demand HK\$'million	1 to 5 years HK\$'million	Total HK\$'million
Interest bearing bank borrowings	395.4	6,432.5	6,827.9
Other borrowings	158.9	4,466.8	4,625.7
Trade creditors	76.4	–	76.4
Other financial liabilities included in creditors, deposits received and accruals	228.4	147.0	375.4
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture	1,540.1	–	1,540.1
	<u>2,399.2</u>	<u>11,046.3</u>	<u>13,445.5</u>

## Notes to Financial Statements (Cont'd)

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

### Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investments classified as financial assets at fair value through profit or loss (note 18) and unlisted equity investments classified as available-for-sale investments (note 17) at the end of the reporting period.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments 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. For the purpose of this analysis, for the available-for-sale investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

	Carrying amount of equity investments HK\$'million	Change in profit before tax HK\$'million	Change in equity* HK\$'million
<b>2015</b>			
Hong Kong listed investments:			
– Held for trading	576.8	28.8	–
Unlisted investments at fair value:			
– Available-for-sale	129.5	–	6.5
<b>2014</b>			
Hong Kong listed investments:			
– Held for trading	511.9	25.6	–
Unlisted investments at fair value:			
– Available-for-sale	106.8	–	5.3

\* Excluding retained profits

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and enhance shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Capital represents equity attributable to equity holders of the parent. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements except for the obligation under the lease guarantees 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 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, 2015 and 31st December, 2014.



## Notes to Financial Statements (Cont'd)

The Group monitors capital using a debt to total assets ratio, which is net debt divided by the total assets. Net debt includes interest bearing bank borrowings and other borrowings less cash, bank balances and deposits. The debt to total assets ratios as at the end of the reporting periods were as follows:

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
Interest bearing bank borrowings and other borrowings	<b>10,708.8</b>	11,107.3
Less: Cash, bank balances and deposits	<b>(1,573.2)</b>	(1,818.0)
Net debt	<b>9,135.6</b>	9,289.3
Total assets	<b>25,342.6</b>	25,849.9
Net debt to total assets ratio	<b>36.0%</b>	35.9%

### 43. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

**44. 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:

	<b>2015</b> <b>HK\$'million</b>	<b>2014</b> <b>HK\$'million</b>
NON-CURRENT ASSETS		
Investments in subsidiaries	<u>6,251.4</u>	<u>6,403.8</u>
CURRENT ASSETS		
Prepayments	0.2	0.3
Cash and bank balances	<u>1.2</u>	<u>1.0</u>
Total current assets	<u>1.4</u>	<u>1.3</u>
CURRENT LIABILITIES		
Creditors and accruals	<u>(4.8)</u>	<u>(4.6)</u>
NET CURRENT LIABILITIES	<u>(3.4)</u>	<u>(3.3)</u>
Net assets	<u><u>6,248.0</u></u>	<u><u>6,400.5</u></u>
EQUITY		
Issued capital	92.4	92.4
Reserves (note)	<u>6,155.6</u>	<u>6,308.1</u>
Total equity	<u><u>6,248.0</u></u>	<u><u>6,400.5</u></u>

## Notes to Financial Statements (Cont'd)

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, 2014	648.0	13.2	5,885.6	6,546.8
Repurchase and cancellation of ordinary shares	(94.0)	2.0	(2.0)	(94.0)
Loss for the year	–	–	(6.9)	(6.9)
Final 2013 dividend declared	–	–	(100.8)	(100.8)
Interim 2014 dividend	–	–	(37.0)	(37.0)
At 31st December, 2014 and at 1st January, 2015	554.0	15.2	5,738.9	6,308.1
Loss for the year	–	–	(4.6)	(4.6)
Final 2014 dividend declared	–	–	(110.9)	(110.9)
Interim 2015 dividend	–	–	(37.0)	(37.0)
At 31st December, 2015	<u>554.0</u>	<u>15.2</u>	<u>5,586.4</u>	<u>6,155.6</u>

### 45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22nd March, 2016.

# Independent Auditors' Report



## To the shareholders of Regal Hotels International Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Regal Hotels International Holdings Limited (the "Company") and its subsidiaries set out on pages 72 to 170, which comprise the consolidated statement of financial position as at 31st December, 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditors' Report (Cont'd)

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31st December, 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Ernst & Young

*Certified Public Accountants*

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

22nd March, 2016

# Schedule of Principal Properties

*As at 31st December, 2015*

## PROPERTIES FOR DEVELOPMENT AND/OR SALE

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(1) Certain luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Site area for the whole development - approx. 53,126 sq. m. (571,848 sq. ft.)  Gross area of 7 remaining houses held - approx. 3,261 sq. m. (35,106 sq. ft.)	Completed in March 2004	100
(2) Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong	Hotel	Site area - approx. 345 sq. m. (3,710 sq. ft.)  Gross floor area - approx. 5,236 sq. m. (56,360 sq. ft.) (98 guestrooms and suites)	Foundation works completed  (schedule of completion to be determined)	50
(3) Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon, Hong Kong	Hotel	Site area - approx. 700 sq. m. (7,535 sq. ft.)  Gross floor area - approx. 6,298 sq. m. (67,790 sq. ft.)	Superstructure works in progress  (occupation permit expected to be issued in 4th quarter of 2016)	50
(4) Lot No. 4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories, Hong Kong	Residential	Site area - approx. 11,192 sq. m. (120,470 sq. ft.)  Gross floor area - approx. 11,192 sq. m. (120,470 sq. ft.) (36 houses and 134 apartments)	Occupation permit issued in November 2015  (certificate of compliance anticipated to be obtained shortly)	50

## Schedule of Principal Properties (Cont'd)

As at 31st December, 2015

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(5) Sha Tin Town Lot No. 578, Area 56A, Kau To, Sha Tin, New Territories, Hong Kong	Residential	Site area - approx. 17,476 sq. m. (188,100 sq. ft.) (approx. 136 units, 24 houses and 198 car parks)  Gross floor area - approx. 32,474 sq. m. (349,547 sq. ft.)	Foundation works expected to be completed in 2nd quarter of 2016  (expected to be completed in 2018)	50
(6) Sha Tin Town Lot No. 482 Po Tai Street, Ma On Shan, Sha Tin, New Territories, Hong Kong	Commercial	Site area - approx. 5,090 sq. m. (54,788 sq. ft.)  Gross floor area - approx. 15,270 sq. m. (164,364 sq. ft.)	Foundation works completed  (expected to be completed in 2017)	50
(7) Nos. 69-83 Shun Ning Road, Sham Shui Po, Kowloon, Hong Kong	Commercial/ residential	Site area - approx. 824.9 sq. m. (8,879 sq. ft.) (approx. 157 residential units, 2 storeys of shops and 1 storey of basement carpark)  Gross floor area - approx. 7,159 sq. m. (77,059 sq. ft.)	Superstructure works in progress  Presale of the units planned to be marketed in 2nd quarter of 2016  (expected to be completed in 2017)	50
(8) Kowloon Inland Lot No. 11234 Junction of Anchor Street and Fuk Tsun Street, Tai Kok Tsui, Kowloon	Hotel	Site area - approx. 725.5 sq. m. (7,809 sq. ft.) (a multi-storey hotel building comprising about 288 guest rooms, with ancillary accommodation)  Permissible gross floor area - approx. 6,529 sq. m. (70,278 sq. ft.)	General building plans pending approval	50

## Schedule of Principal Properties (Cont'd)

As at 31st December, 2015

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(9) Development site at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Hotel and commercial complex/ residential	<p>Site area for the whole development - approx. 111,869 sq. m. (1,204,148 sq. ft.)</p> <p>Total gross floor area - approx. 497,000 sq. m. (5,349,700 sq. ft.)</p> <p>First stage</p> <ul style="list-style-type: none"> <li>a 306-room hotel</li> <li>3 residential towers having 340 residential units with car parking spaces and ancillary commercial accommodation (Total gross floor area - approx. 45,500 sq. m. (490,000 sq. ft.))</li> </ul> <p>Stage two</p> <ul style="list-style-type: none"> <li>6 residential towers having 960 units with total gross floor area of approx. 176,516 sq. m. (1,900,000 sq. ft.)</li> </ul> <p>Stage three</p> <ul style="list-style-type: none"> <li>commercial and office accommodations with total gross floor area of approx. 139,355 sq. m. (1,500,000 sq. ft.)</li> </ul>	<p>First stage</p> <ul style="list-style-type: none"> <li>Construction works for 3 residential towers expected to be completed before the end of 2016</li> <li>Presale of the residential units anticipated to be launched in 2nd quarter of 2016</li> <li>Hotel portion planned to be completed in phases from early 2017</li> </ul> <p>Stage two</p> <ul style="list-style-type: none"> <li>Construction works expected to be completed in 2nd quarter of 2017</li> <li>Presale of the residential units expected to be launched before the end of 2016</li> </ul>	33.76



## Schedule of Principal Properties (Cont'd)

*As at 31st December, 2015*

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(10) Development site at the intersection between Weiguo Road and Xinkai Road, Hedong District, Tianjin, PRC	Commercial/ office/ residential	Site area for the whole development - approx. 31,700 sq. m. (341,216 sq. ft.)  Total gross floor area - approx. 145,000 sq. m. (1,560,780 sq. ft.)	Sub-structure works completed; superstructure works of residential towers in progress  (expected to be completed in stages from 2017)	33.76

**As at 31st December, 2015**

### PROPERTIES FOR INVESTMENT

	Description	Use	Lease	Percentage of interest attributable to the Company
(1)	11 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Medium term	100
(2)	Regal Airport Hotel 9 Cheong Tat Road, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	Medium term	74.58
(3)	Regal Hongkong Hotel 88 Yee Wo Street, Causeway Bay, Hong Kong	Hotel	Long term	74.58
(4)	Regal Kowloon Hotel 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong	Hotel	Long term	74.58
(5)	Regal Oriental Hotel 30-38 Sa Po Road and Shops 3-11 on G/F including Cockloft of Shops 5-7 and the whole of 1/F, Po Sing Court, 21-25 Shek Ku Lung Road, 40-42 Sa Po Road and 15-29 Carpenter Road, Kowloon City, Kowloon, Hong Kong	Hotel	Medium term	74.58

## Schedule of Principal Properties (Cont'd)

*As at 31st December, 2015*

	<b>Description</b>	<b>Use</b>	<b>Lease</b>	<b>Percentage of interest attributable to the Company</b>
(6)	Regal Riverside Hotel 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong	Hotel	Medium term	74.58
(7)	iclub Wan Chai Hotel Shops A, B and C on G/F, Flat Roof on 3/F, Whole of 5-12/F, 15-23/F and 25-29/F, Eastern and Western Elevations of External Walls, Architectural Feature at Roof Top and Upper Roof, 211 Johnston Road, Wanchai, Hong Kong	Hotel/ commercial	Long term	74.58
(8)	iclub Sheung Wan Hotel Nos.132-140 Bonham Strand, Sheung Wan, Hong Kong	Hotel	Long term	74.58
(9)	iclub Fortress Hill Hotel Nos.14-20 Merlin Street, North Point, Hong Kong	Hotel	Long term	74.58

# Published Five Year Financial Summary

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

## RESULTS

Year ended 31st December,

	2015 HK\$'million	2014 HK\$'million	2013 HK\$'million	2012 HK\$'million	2011 HK\$'million
Revenue	<u>2,471.8</u>	<u>2,298.6</u>	<u>3,570.0</u>	<u>2,330.9</u>	<u>2,037.2</u>
Operating profit					
before depreciation	1,046.3	1,160.4	1,058.3	1,182.3	27.4
Depreciation	(511.2)	(453.5)	(401.2)	(380.0)	(365.5)
Finance costs	(330.3)	(332.6)	(300.2)	(159.8)	(190.5)
Share of profits and losses of:					
Joint ventures	14.2	(20.9)	(5.4)	(5.5)	623.4
Associates	(22.2)	96.7	(5.7)	(3.9)	52.2
Profit before tax	<u>196.8</u>	<u>450.1</u>	<u>345.8</u>	<u>633.1</u>	<u>147.0</u>
Income tax	<u>(36.9)</u>	<u>6.6</u>	<u>(55.3)</u>	<u>(47.3)</u>	<u>(16.3)</u>
Profit for the year before allocation between equity holders of the parent and non-controlling interests	<u>159.9</u>	<u>456.7</u>	<u>290.5</u>	<u>585.8</u>	<u>130.7</u>
Attributable to:					
Equity holders of the parent	119.0	410.3	256.9	536.3	107.9
Non-controlling interests	40.9	46.4	33.6	49.5	22.8
	<u>159.9</u>	<u>456.7</u>	<u>290.5</u>	<u>585.8</u>	<u>130.7</u>

**ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS**

31st December,

	2015 HK\$'million	2014 HK\$'million	2013 HK\$'million	2012 HK\$'million	2011 HK\$'million
Property, plant and equipment	15,875.6	16,052.8	13,704.2	13,845.2	14,041.4
Investment properties	1,070.0	1,074.0	947.0	948.0	886.0
Investments in joint ventures	3,327.6	3,258.5	2,664.5	1,597.3	1,689.6
Investments in associates	125.1	131.1	21.1	27.6	16.7
Available-for-sale investments	133.4	106.8	9.1	4.7	18.0
Financial assets at fair value through profit or loss	1.9	1.9	–	23.4	508.6
Other loan	–	–	5.9	18.9	17.6
Debtors and deposits	5.4	1,390.0	2,344.0	2.3	–
Deferred tax assets	79.1	62.4	–	–	–
Current assets	<u>4,724.5</u>	<u>3,772.4</u>	<u>4,638.0</u>	<u>5,328.5</u>	<u>2,682.9</u>
Total assets	<u>25,342.6</u>	<u>25,849.9</u>	<u>24,333.8</u>	<u>21,795.9</u>	<u>19,860.8</u>
Current liabilities	(740.3)	(994.0)	(767.5)	(507.6)	(5,137.3)
Creditors and deposits received	(147.0)	(27.8)	(13.9)	(2.5)	–
Interest bearing bank borrowings	(6,187.0)	(6,362.1)	(5,171.9)	(4,776.1)	(627.1)
Other borrowings	(4,241.9)	(4,234.3)	(4,223.5)	(2,293.8)	–
Derivative financial instruments	–	–	(4.1)	(2.8)	–
Deferred tax liabilities	(1,004.8)	(1,034.7)	(1,041.1)	(1,065.5)	(1,093.3)
Total liabilities	<u>(12,321.0)</u>	<u>(12,652.9)</u>	<u>(11,222.0)</u>	<u>(8,648.3)</u>	<u>(6,857.7)</u>
Non-controlling interests	<u>(1,158.6)</u>	<u>(1,251.8)</u>	<u>(1,336.9)</u>	<u>(1,412.4)</u>	<u>(1,460.3)</u>

