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)

2016 ANNUAL REPORT

Contents

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

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank Corporation, Hong Kong Branch
Oversea-Chinese Banking Corporation Limited
Bank of Communications Co., Ltd., Hong Kong Branch
Australia and New Zealand Banking Group Limited
United Overseas Bank Limited, Hong Kong Branch

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

Directors' Profile

Mr. Lo Yuk Sui, *aged 72; 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 37; 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 also an independent non-executive director of Meitu, Inc., a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 71; 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.

Ms. Belinda Yeung Bik Yiu, *aged 58; 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 and Honorary Fellow of the Vocational Training Council.

Mr. Donald Fan Tung, *aged 60; 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 62; 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. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong (the "SFO") and a responsible officer of Asia Investment Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of China Energine International (Holdings) Limited, Shimao 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 the Catalist board of Singapore Exchange Securities Trading Limited.

Professor Japhet Sebastian Law, *aged 65; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2012. Professor Law obtained his Ph.D. in Mechanical/Industrial Engineering from The University of Texas at Austin in 1976. He joined The Chinese University of Hong Kong in 1986 and was a professor in the Department of Decision Sciences and Managerial Economics and the director of the Aviation Policy and Research Center until his retirement since August 2012. He was also the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 to 2002. Prior to returning to Hong Kong, Professor Law was the director of operations research at the Cullen College of Engineering and director of graduate studies in Industrial Engineering at the University of Houston, and he was also involved with the United States Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Professor Law has acted as a consultant for various corporations in Hong Kong and overseas. He is active in public services, having served as a member of the Provisional Regional Council of the Government of the Hong Kong Special Administrative Region and various other government advisory committees, and he is also active in serving on the boards of for-profit, non-profit, public and charitable organisations in Hong Kong and overseas. Professor Law is currently an independent non-executive director of Beijing Capital International Airport Company Limited, Binhai Investment Company Limited, Global Digital Creations Holdings Limited, Shougang Fushan Resources Group Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited and Tianjin Port Development Holdings Limited, all of which are companies listed on the Stock Exchange. Professor Law has also served on various committees and boards of international organisations, including The Association to Advance Collegiate Schools of Business, Graduate Management Admission Council and Oxfam International.

Mr. Jimmy Lo Chun To, *aged 43; 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 Cosmopolitan 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 62; 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 86; 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 58; Executive Director* — Appointed to the Board in 2010. Mr. Wan has been with the Century City Group for over 23 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 35 years of experience in finance and accounting field.

Mr. Wong Chi Keung, *aged 62; 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 a responsible officer for asset management and advising on securities under the SFO. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as Yuexiu Property Company Limited), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Shanshui Cement Group Limited, China Ting Group Holdings Limited, ENM Holdings Limited, Fortunet e-Commerce Group Limited, Golden Eagle Retail Group Limited, Heng Xin China Holdings Limited, Nickel Resources International 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 34 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, 2016.

FINANCIAL RESULTS

For the year ended 31st December, 2016, the Group achieved a consolidated profit attributable to shareholders of HK$213.7 million, representing an increase of 79.6% over the HK$119.0 million attained in 2015.

Operating profit before depreciation, finance costs and tax for the year amounted to HK$987.1 million (2015 – HK$1,046.3 million). As previously explained, all the Group's hotel properties in Hong Kong are owned and self-operated by subsidiaries of the Company and, in order to conform to applicable accounting standards, are subject to depreciation charges. Total depreciation charges on the Group's hotel portfolio in Hong Kong for the year amounted to HK$459.3 million which, although not having an impact 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$54.3 million.

As there is a material difference prevailing 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, 2016, an Adjusted Net Asset Value Statement is presented in the section headed "Management Discussion and Analysis" in this Annual Report, which illustrated for the purpose of reference that, if all such hotel properties were to be stated in the Group's financial statements at their independent professional market valuation as at 31st December, 2016, the underlying adjusted net asset value of the Company would amount to HK$19.16 per share.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

The deceleration in growth across major advanced economies to 1.6 percent in 2016 reflected renewed policy uncertainties, weak external demand and subdued productivity growth. The recovery process of the United States economy during 2016 was slower than expected, but since the run-up to the U.S. presidential election in November 2016, activity had picked up again. The economies in Europe are facing increased uncertainties, with the United Kingdom having voted in June 2016 to leave the European Union and the several major elections across the Eurozone that are scheduled to take place later in 2017, which may pose further political risks and changes in the related government policies. For the People's Republic of China, the annual Gross Domestic Product (GDP) growth rate slightly moderated to 6.7% in 2016, but remained the highest among major economies. Meanwhile, the annual GDP of Hong Kong grew modestly by 1.9%, which was 0.5 percentage point below the level in 2015.

A strong Hong Kong dollar and the increased competition from other countries have continued to negatively impact the tourist and hotel markets in Hong Kong. Overall business conditions for the hotel industry for the year under review have been challenging and the hotel room rates remained under certain degree of pressure. In 2016, visitor arrivals to Hong Kong decreased by 4.5% year-on-year to a total of 56.7 million, due mainly to the reduction in the overall number of visitors from Mainland China. However, overnight visitors have remained relatively steady and recorded a total count of 26.6 million. As a matter of fact, for the year under review, there were increases of 2.8% and 8.4% in the number of overnight visitors from the traditional long haul markets and short haul markets (excluding Mainland China), respectively. Based on a hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories for 2016 was 87.0%, a slight increase of 1.0 percentage point from 2015, while the industry-wide achieved average room rate recorded a downward adjustment of 3.7%, resulting in a year-on-year decline of 2.6% in the Revenue per Available Room (RevPAR).

HOTEL OWNERSHIP

REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2016, the Group continued to hold approximately 74.6% of the total outstanding issued units of Regal REIT while Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, acts as the REIT Manager.

For the year ended 31st December, 2016, Regal REIT recorded a consolidated profit before distributions to Unitholders of HK$564.0 million, while for the financial year 2015, a loss of HK$1,527.8 million was reported. It should however be noted that the consolidated profit recorded for 2016 included a fair value gain of HK$91.3 million on the increase in the appraised values of the hotel properties in Hong Kong which are owned by Regal REIT as investment properties, after offsetting the additional capital expenditures for the year, while a corresponding fair value loss of HK$2,049.5 million was recorded in 2015. 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$472.7 million, as compared to HK$521.7 million for the preceding year.

As reported before, the five initial Regal Hotels, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel are under lease by Regal REIT to a wholly owned subsidiary of the Company for hotel operation. On the other hand, the iclub Wan Chai Hotel is self-operated by Regal REIT. This hotel in Wan Chai continued to be well received and maintained a high year-round average occupancy of 98.5%, although its average room rate decreased slightly by 1.5% year-on-year due to keen price competition.

In September 2016, Regal REIT concluded a new 5-year financing facility with a syndicate of local and international financial institutions, comprising a term loan of HK$4,500.0 million and a revolving loan of up to HK$1,000.0 million. The term loan portion was wholly used to repay the previous term loan facility in the same principal amount, which was originally due to mature in July 2018 and bore a higher interest margin. The new revolving loan facility will be reserved for Regal REIT's general corporate funding purposes.

Being one of the major hotel owners in Hong Kong, Regal REIT owns a total of eight operating hotels in Hong Kong, with an aggregate of 4,569 guest rooms 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 continues to closely monitor the performance of each property and evaluate any potential yield enhancement opportunities.

HOTEL OPERATIONS

For the year under review, the five initial Regal Hotels have as a whole maintained steady performance. The combined average occupancy rate for these five hotels for 2016 was 86.0%, while the average room rate dropped by 3.2% year-on-year, which were generally in line with the related overall market averages in Hong Kong.

Total hotel revenue for the five initial Regal Hotels for 2016 amounted to HK$1,864.4 million, as compared to HK$1,894.6 million in the preceding year. The slight decrease in the total revenue was mainly due to the reduction in the achieved room rates while the food and beverage businesses have performed steadily. Total net property income amounted to HK$770.9 million, which represented an excess of HK$38.9 million over the aggregate base rent of HK$732.0 million for 2016, 50% of which was attributable to Regal REIT as variable rent.

The overall market environment encountered by the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel since they commenced business operations in 2014 has been relatively difficult and challenging. However, the business performance of these two hotels has gradually stabilised and improved in the year under review. Their combined average occupancy level in 2016 was 89.1%, an increase of about 3.6 percentage points over that in 2015, while their achieved RevPAR on a combined basis has improved by 3.4% year-on-year.

The market rental review for the five initial Regal Hotels for 2017 was completed in September 2016. The annual base rent for 2017 was determined to be HK$733.0 million, reflecting an increment of HK$1.0 million over the annual base rent of HK$732.0 million for 2016, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income over the aggregate base rent.

The initial three years of the lease terms for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel with fixed rental payment terms end in February and July 2017, respectively. Thereafter, the rental packages for these two iclub hotels will be based on annual market rental determinations. Under the market rental review conducted for the iclub Sheung Wan Hotel, the pro-rated base rent from 10th February, 2017 to 31st December, 2017 is determined to be HK$36.5 million, with variable rent basing on 50% sharing of the excess of the net property income over the base rent. The market rental package for the iclub Fortress Hill Hotel is currently under review by an independent professional property valuer and will be determined before the end of April 2017.

As mentioned earlier, any shortfalls incurred by the Group in the income from the operation of these two hotels below the lease payments for the first three years of the lease terms will be fully reimbursed by P&R Holdings Limited, a 50:50 joint venture between the Group and Paliburg Holdings Limited, the immediate listed holding company of the Group, and which is the vendor of the properties to Regal REIT. The reimbursement of the shortfalls will be accounted for on a cumulative basis after the end of the 3-year period.

The La Mola Hotel & Conference Centre located in Barcelona, Spain was acquired by the Group in October 2014. The Group is presently engaged in discussions for the leasing of the hotel to an independent third party for hotel operation.

A wholly owned subsidiary of the Group tendered earlier in the year for a new hotel development project at the Hong Kong International Airport, which was accepted by the Airport Authority in February 2017. The consideration (representing non-refundable rental payment) payable for the acquisition of the development right of the hotel project is approximately HK$2,188.9 million and under the terms of the development agreement, the Group will be granted a sub-lease for the operation of the hotel project for a term up to 17th September, 2066 after completion of the construction of the hotel project.

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

It is currently planned that the hotel project will be developed into a multi-storey hotel building providing about 1,200 guest rooms and suites with ancillary facilities. The construction of the hotel project is presently anticipated to be completed within a period of four years. More details about this new hotel project are contained in the circular of the Company dated 3rd March, 2017 despatched to shareholders.

HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Group, is the hotel manager providing services to all the eight operating Regal and iclub Hotels in Hong Kong. The Group is also managing the La Mola Hotel & Conference Centre in Spain.

In China, the Group is managing nine hotels, four in Shanghai, two in Dezhou, one in Xi'an, one in Zhengzhou and one in Foshan. The two hotels that were most recently opened are, respectively, the Regal Financial Center Hotel in Foshan, a 230-room luxury hotel, in December 2015 and the iclub Yuhong Hotel in Zhengzhou, the first hotel managed by the Group under the iclub branding, in February 2016. Four other hotels to be managed by the Group are in the pipeline, including the latest addition of a 300-room full service hotel with a 960-square metre (10,330 square feet) ballroom, three restaurants, swimming pool, gym and spa facilities, located in Jiangmen, Guangdong Province.

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

PROPERTIES

The Group's property development business is primarily undertaken through P&R Holdings, the 50:50 joint venture with Paliburg. The property market in Hong Kong in the early part of 2016 was slightly affected by the weak economic conditions but as the economy gradually improved, the buying demand for residential properties quickly revived. To restrain speculative activities, the Hong Kong Government imposed in November 2016 a new flat 15% stamp duty on the purchases of residential units (except for Hong Kong permanent residents that do not own another residential property). However, due to the strong underlying demand for properties in Hong Kong, the imposition of this new measure has not significantly weakened the property market.

Mainland Chinese developer companies have been increasingly active in the bidding of residential sites offered for tender by the Hong Kong Government and a number of sites have recently been sold at tender prices well above market expectations. Though this will provide a strong support for the land prices, the current market conditions are proving more challenging for the Group to replenish its development land bank in Hong Kong, at least in the short term. With the continuing inflow of funds from Mainland Chinese investors, the prospects of the property market in Hong Kong will continue to be positive, although there could be uncertainties coming from external market factors including the upward trend in the interest rates.

As mentioned in the Interim Report 2016, the sale of the garden houses in P&R Holdings' residential project at Tan Kwai Tsuen Road in Yuen Long was first launched in May 2016 and up to date, 13 of the total 36 garden houses have been contracted for sale. In July 2016, P&R Holdings further launched the presale of the residential units in the commercial/residential joint venture project with the Urban Renewal Authority of Hong Kong at Shun Ning Road, Shum Shui Po, Kowloon. Response was favourable and 155 of the total 157 residential units have been sold.

Prior to the year end, P&R Holdings completed the disposal of a 50% equity interest in the entity that beneficially holds the hotel development at Ha Heung Road, To Kwa Wan, Kowloon, based on an agreed value of HK$1,300 million for the hotel on an unencumbered basis. The attributable gain derived from this sale transaction has been reflected in the share of profits of joint ventures in the results of the Group for the year under review. Further details regarding this transaction were contained in the joint announcement by the Company dated 28th December, 2016.

Additional information 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.

Mostly recently, the Group entered into an agreement for the acquisition of the properties located at Nos.150-158 Queen's Road West, Hong Kong through the purchase of the equity interests in their property holding company. The properties have an aggregate site area of about 480 square metres (5,170 square feet) and are planned for a commercial/residential development.

During the year, the Group sold 3 garden houses in Regalia Bay, Stanley, two of which were properties held for sale and one held as investment property. As at 31st December, 2016, the Group retained a total of 15 houses, of which 8 houses are held as investment properties for rental income, 4 houses are held for sale and the remaining 3 houses as fixed assets. After the year end date, the Group further disposed of one house which was held for sale. Taking advantage of the buoyant market condition in the luxury residential properties in Hong Kong, the Group will continue to dispose of some of the remaining houses if favourable terms are offered.

OTHER INVESTMENTS

The Group continues to maintain a sizable investment portfolio comprising listed securities, investment funds, bonds as well as treasury and yield enhancement products.

In an effort to diversify the Group's recurring income base, the Group has invested in the aircraft leasing business since 2012, which is contributing steady revenues. As at the last year end, the Group's aircraft fleet comprised 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.

A letter of intent was entered into in January 2017 for the disposal of one of the Airbus A321 aircraft (the one that is wholly owned by the Group) and the relevant lease with the former lessee early terminated in February 2017. The other Airbus A321 aircraft which is 85% owned by the Group remained on operating lease as at the last year end date. During the year, the Group has effectively sold 7 of the Embraer aircraft through the entering into of the relevant finance leases, realising satisfactory returns. In addition, a finance lease arrangement for one other Embraer aircraft was concluded in December 2016, with completion only pending for aircraft delivery. The remaining 4 Embraer aircraft continued to be running on operating leases. To replenish the aircraft fleet, the Group recently entered into a letter of intent for the acquisition of a mid-life Airbus A320 model aircraft with an operating lease attached.

OUTLOOK

Although the performance of the tourist and hotel industries in Hong Kong for 2016 as a whole showed a continuing decline from their levels in 2015, the general market conditions have regained some momentum gradually in the latter part of the year. In the last quarter of 2016, the number of visitor arrivals to Hong Kong reverted back to growth and ended a period of 5 consecutive quarters of decline. For the first two months of 2017, the hotel market continued to perform steadily but the external market environment are posing increased uncertainties due to enhanced geopolitical tensions, uncertainties about policy directions in a number of major economies including the U.S. and potential volatility in the global financial markets, all of which may affect the pattern of development of the tourism and hospitality industry in Hong Kong.

The Hong Kong Government is committed to develop a wide range of diversified tourist attractions in Hong Kong, with a view to enhancing Hong Kong's overall attractiveness as a premier tourist destination. Meanwhile, the Hong Kong Tourism Board is promoting different events and festival activities from time to time, in order to attract visitors from around the world coming to Hong Kong.

It is acknowledged that Hong Kong's tourism industry has been buffeted by the headwinds of change and challenge in the past two years due to various reasons. However, the REIT Manager firmly believes in the resilience of Hong Kong and its ability to maintain its position as a favoured tourist destination, for both business and leisure travellers alike. The two major theme parks in Hong Kong, Ocean Park and Hong Kong Disneyland, are undergoing expansion plans to bring new attractions to enhance their competiveness. Together with the several key infrastructure projects, including the Hongkong-Zhuhai-Macao Bridge and the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, which are soon to be completed, they will undoubtedly help to speed up the recovery of the local tourism industry.

The undertaking of the new hotel project in the Hong Kong International Airport marks the confidence of the Group in the long term development prospects of Hong Kong's tourism and hotel industries and the conviction and commitment of the Group (including Regal REIT) to maintain its position as a prominent hotel owner and operator group in Hong Kong.

The various property projects in Hong Kong being developed by P&R Holdings were acquired at costs which are relatively low as compared to the current market prices. Accordingly, it can be expected that substantial cash flow and profit will be contributed to the Group over the next few years when these projects are gradually completed and sold.

At the same time, the Group is also actively reviewing various hotel and other investment opportunities, both in Hong Kong and overseas, with a view to further broadening the asset and income base of the Group.

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
27th March, 2017

REGAL AIRPORT HOTEL

CHEK LAP KOK • HONG KONG

■ Presidential Suite

■ Regala Café & Dessert Bar

■ Grand Ballroom

CAUSEWAY BAY • HONG KONG

■ Executive Club Room

REGAL HONGKONG HOTEL

■ Rooftop Swimming Pool

■ Regal Palace

REGAL KOWLOON HOTEL

TSIMSHATSUI • HONG KONG

■ Royal Suite

■ Executive Club Lounge

■ Regal Court

REGAL ORIENTAL HOTEL

KOWLOON CITY • HONG KONG

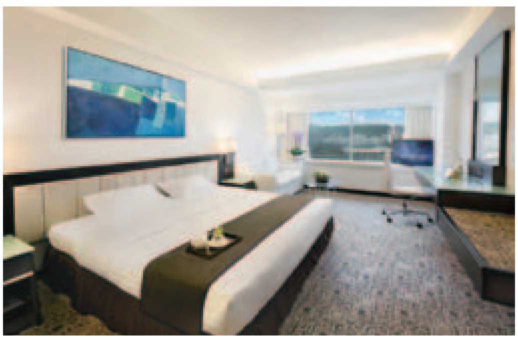
■ Presidential Suite

■ Avanti Pizzeria

■ Executive Club Lounge

REGAL RIVERSIDE HOTEL

SHA TIN • HONG KONG



■ Executive Club River View Room

■ The Forum

■ Aji Bou Izakaya

WAN CHAI • HONG KONG

■ Hotel Lobby

■ iSuite

■ iPlus Premier

iclub WAN CHAI HOTEL

SHEUNG WAN • HONG KONG

■ Hotel Lobby

■ iSuite

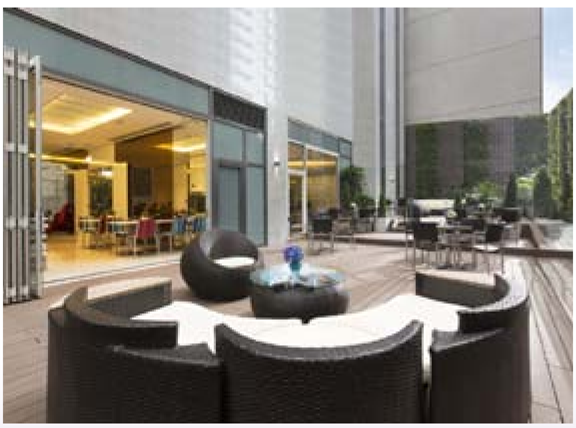
■ iLounge

iclub SHEUNG WAN HOTEL

FORTRESS HILL • HONG KONG

■ Hotel Lobby

■ Connecting Room



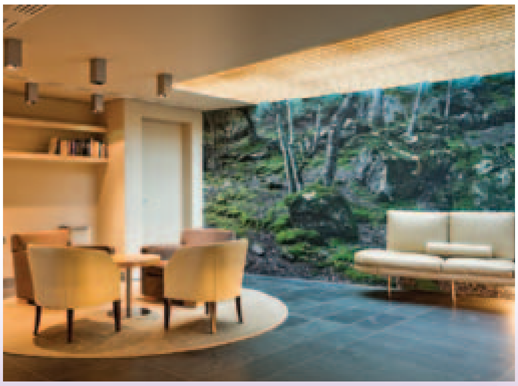
■ iLounge

iclub FORTRESS HILL HOTEL

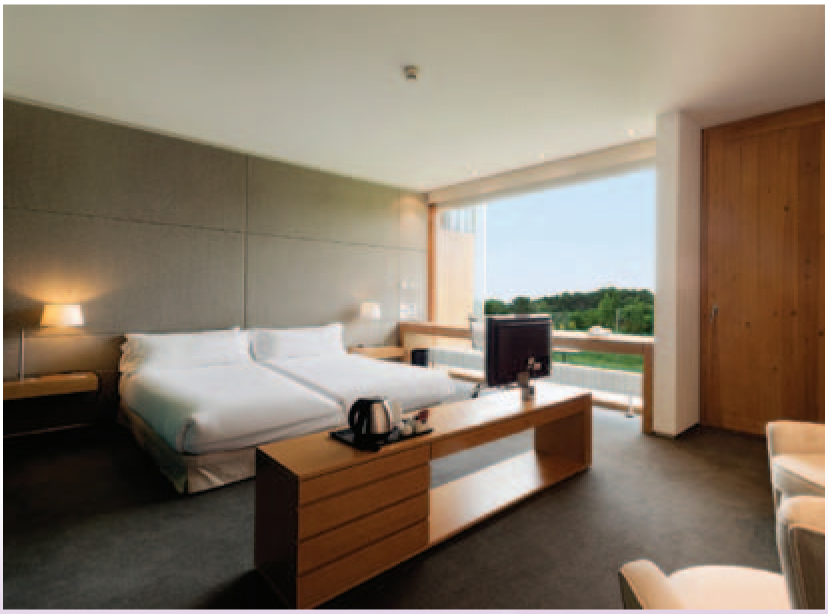
LA MOLA HOTEL & CONFERENCE CENTRE

BARCELONA • SPAIN

■ Conference Room



■ Lounge



■ Deluxe Room with Balcony

SHANGHAI • MAINLAND CHINA

Deluxe Suite

REGAL INTERNATIONAL EAST ASIA HOTEL

Emerald Ballroom

Executive Lounge

REGAL SHANGHAI EAST ASIA HOTEL

SHANGHAI • MAINLAND CHINA

■ Pujiang Hall

■ The Peak Chinese Restaurant

■ Premier Room

SHANGHAI • MAINLAND CHINA

■ Presidential Suite

REGAL JINFENG HOTEL

■ Regal Ballroom

■ Rivoli Café

SHANGHAI • MAINLAND CHINA

■ Deluxe Suite

REGAL PLAZA HOTEL & RESIDENCE

■ Forum

■ Regal Club

DEZHOU • MAINLAND CHINA

■ Indoor Swimming Pool

REGAL KANGBO HOTEL

■ Chinese Restaurant

■ Superior Room

DEZHOU • MAINLAND CHINA

■ Deluxe Queen Room

REGAL KANGBO HOTEL & RESIDENCE

■ iLounge

■ Deluxe Suite Queen Room

FOSHAN • MAINLAND CHINA

■ Executive Suite

REGAL FINANCIAL CENTER HOTEL

■ Outdoor Swimming Pool

■ Regal Ballroom

REGAL AIRPORT HOTEL, XI'AN

XI'AN • MAINLAND CHINA

■ Premier Room

■ Rouge

■ Ballroom

iclub YUHONG HOTEL

ZHENGZHOU • MAINLAND CHINA

■ iSuite

■ Hotel Lobby

■ iCafe

COMING ADDITIONS

■ Regal Huaqiao Hotel (2018) – Kunshan, Mainland China (*)

■ A Regal hotel (2018) – Jiangmen, Mainland China (*)

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

* Artist impression
# Year of opening pending confirmation

REGALIA BAY

STANLEY • HONG KONG

■ Dining Room in a house

■ Study Room in a house

■ Living Room in a house

JOINT VENTURE DEVELOPMENTS

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

CASA REGALIA / DOMUS

HONG KONG

■ A luxurious garden house at Casa Regalia

■ Club house of Casa Regalia and Domus in the Tan Kwai Tsuen Road development

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

RESIDENTIAL / COMMERCIAL DEVELOPMENTS

HONG KONG

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

■ The Ascent, a commercial/residential development at No. 83 Shun Ning Road, Sham Shui Po, Kowloon – superstructure works in progress (*)

* Artist impression

- iclub Ma Tau Wai Hotel at Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon – occupation permit already issued (*)

- iclub Mong Kok Hotel at Anchor Street/Fuk Tsun Street, Tai Kok Tsui, Kowloon – superstructure works in progress (*)

- Hotel development at Nos. 5-7 Bonham Strand West and Nos. 169-171 Wing Lok Street, Sheung Wan – excavation works for pile caps are in progress (*)

HOTEL DEVELOPMENTS

* Artist impression

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

COMPOSITE DEVELOPMENT

■ Lobby in Regal Xindu Hotel, a hotel within Regal Cosmopolitan City (*)

■ Lobby lounge in Regal Xindu Hotel (*)

* Artist impression

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

COMPOSITE DEVELOPMENT

■ Residential towers of Regal Renaissance – superstructure works nearing completion (*)

■ Regal Sky Walk, a shopping street in Regal Renaissance (*)

■ Residential and commercial portions of Regal Renaissance (*)

* Artist impression

■ 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 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, and the Ha Heung Road development project in To Kwa Wan, Kowloon, all of the other ongoing development projects and properties are presently wholly owned by P&R Holdings group.

Domus and Casa Regalia at Nos.65-89 Tan Kwai Tsuen Road, Yuen Long, New Territories

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

As previously reported, all the 134 units in the apartment block, named Domus, were sold in June 2015. The sale programme for the garden houses, named Casa Regalia, which constitute the main component of the development, was first launched in May 2016 and, up to date, 13 houses have been contracted to be sold. While the remaining houses are presently planned to be disposed of on a gradual basis, some of them may in the meantime be retained for rental income.

iclub Ma Tau Wai Hotel at Nos.8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon

As reported in the preceding Chairman's Statement, following the sale of a 50% equity interest in the entity holding the project prior to the year end, it is now a 50% owned joint venture of P&R Holdings. The project has an aggregate site area of approximately 700 square metres (7,535 square feet) and has been developed into a 22-storey hotel (including 1 basement floor) with 340 guest rooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet) and covered floor area of approximately 9,490 square metres (102,160 square feet). The occupation permit of the hotel was issued in November 2016. The hotel licence for the hotel is expected to be issued in the second quarter of 2017.

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

This development site has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site is being developed into a shopping mall with 5 storeys above ground level. The superstructure works are nearing completion and the development is scheduled to be completed in the fourth quarter of 2017. This property project 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 being developed into 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 superstructure works are in progress. 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 guest rooms 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. Excavation works for pile caps are in progress.

The Ascent at No.83 Shun Ning Road, Sham Shui Po, Kowloon

This is a joint venture project awarded by the Urban Renewal Authority of Hong Kong through a tender process in March 2014. The land has a site area of 824.9 square metres (8,879 square feet) and is being developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement carpark. The superstructure works are in progress and the development is scheduled to be completed before the end of 2017. The presale of the residential units in this development was launched in July 2016 and, up to date, 155 of the total 157 residential units have been contracted to be sold.

iclub Mong Kok Hotel at Anchor Street/Fuk Tsun Street, Tai Kok Tsui, Kowloon

This is a hotel development project also awarded by the Urban Renewal Authority of Hong Kong through a tender process in June 2015, which has a site area of 725.5 square metres (7,809 square feet). The project has total permissible gross floor area of approximately 6,529 square metres (70,278 square feet) and covered floor area of approximately 9,355 square metres (100,697 square feet) and is being developed into a 20-storey hotel building comprising about 288 guest rooms, with ancillary accommodation. The superstructure works have commenced and the development project is presently anticipated to be completed in 2018.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan International Holdings Limited ("Cosmopolitan") is a listed subsidiary of P&R Holdings. Further information relating to the property projects, all of which are wholly owned, and the 60% owned logistics business currently undertaken by the Cosmopolitan group in the People's Republic of China ("PRC") is set out below:

Property Development

Chengdu Project – Regal Cosmopolitan City

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, serviced apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres (5,350,000 square feet). The first stage of the development includes a hotel with about 311 hotel rooms and extensive facilities, three residential towers with 339 residential units, car parking spaces and ancillary commercial accommodation. The business remodeling works of the hotel have been completed and the interior design works are in progress accordingly. The hotel is scheduled to open in phases from 2018. The second stage of the development comprises six residential towers with 957 units, the superstructure works for which have also been completed. The completion of the residential towers in both the first and second stages of the development is expected to be in the latter part of 2017. Following the presale of a total of 362 units in three residential towers in the first and second stages which commenced from April 2016, the presale of the units in four other residential towers within the second stage of the development has been launched in tranches since September 2016 and response was favourable. Up to date, a total of 850 residential units have been contracted to be sold, securing aggregate sales proceeds of approximately RMB528 million (equivalent to approximately HK$597 million). Presale of the two remaining residential towers is planned to be launched later this year. The other components within the development, comprising commercial and office space, serviced apartments and additional residential units, will continue to be developed in stages.

Tianjin Project – Regal Renaissance

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres (341,000 square feet), which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres (1,561,000 square feet). While the superstructure works of the four residential towers and the commercial complex have been completed, the superstructure works of the two office towers are in progress. The Cosmopolitan group has further launched the unit presales of the remaining residential tower in the 4th quarter of 2016. Up to date, 443 residential units have been sold, realising contracted sales of approximately RMB1,319 million (equivalent to approximately HK$1,492 million). The presale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), and 530 residential car parking spaces commenced in August 2016, and there have been contracted sales of approximately RMB62 million (equivalent to approximately HK$70 million). Under the present construction programme, the residential towers, the commercial complex and the residential car parking spaces are scheduled to be completed before the end of 2017 and the other components will follow to be completed in stages.

Xinjiang Project

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

The Cosmopolitan group has completed the re-organisation of the local management team and will soon initiate measures to settle the land disputes with the surrounding villagers, with an aim to resume the possession of certain parcels of land within the project site being illegally occupied. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan group in this re-forestation and land grant contract remain valid and effective. 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 may be concluded.

Logistics Business

Shanghai Logistics Project

With the aim of diversifying and broadening its business portfolio through the expansion and development of the logistics business and capitalising on the increasing demands for logistics services market by e-commerce merchants in Mainland China, the Cosmopolitan group entered into certain agreements to acquire an effective 60% interest in a group of companies (the "Logistics Group") operating logistics and related businesses in the PRC, details of which were disclosed in the announcements of Cosmopolitan dated 13th January, 2016, 11th March, 2016, 12th April, 2016 and 29th April, 2016. The Cosmopolitan group completed the acquisition on 31st May, 2016 and the Logistics Group has since become a subsidiary undertaking of the Cosmopolitan group. The Cosmopolitan group recognised a gain on bargain purchase of HK$3.1 million upon the business combination during the year, which is based on the fair value estimation of the considerations transferred and identifiable net assets acquired.

One of the companies within the Logistics Group is a licensed courier services provider in the PRC. It has leased certain industrial premises with an aggregate lettable area of about 40,000 square metres (431,000 square feet) in Pudong, Shanghai, the PRC (the "Leased Property") from an affiliated company of the ultimate shareholder holding the remaining 40% interest in the Logistics Group to operate the logistics and related businesses. The ultimate 40% shareholder of the Logistics Group has also through his wholly owned subsidiary entered into a consultancy agreement with the Logistics Group to procure the development and expansion of the logistics businesses with an additional business operating area of 120,000 square metres (1,292,000 square feet). The shareholders of the company owning the Leased Property (being the ultimate 40% shareholder of the Logistics Group and his family member) have granted a purchase option to the Logistics Group to acquire the aforesaid property holding company owning the Leased Property and its wholly owned subsidiary which has a contractual right to acquire the land parcel adjacent to the Leased Property. Further details of the above-mentioned acquisition, consultancy agreement, purchase option and other related transactions were disclosed in the related announcements.

Since the completion of the acquisition, the Logistics Group has performed profitably and steadily. As at 31st December, 2016, the occupancy rate of the Leased Property is about 76%, based on the area available for sub-letting of about 38,000 square metres (409,000 square feet), of which about 75% of the leased out areas are rented to e-commerce merchants (who exclusively use the courier services provided by the Logistics Group) and the remaining areas rented to other tenants with fixed-rate rentals. In light of the positive outlook of the e-commerce market in China and taking into account the planned expansion of the logistics business, it is expected that the Logistics Group would generate satisfactory income to the Cosmopolitan group.

ASSOCIATE – HANG FOK PROPERTIES LIMITED

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

FINANCIAL REVIEW

ASSETS VALUE

The Group's hotel properties in Hong Kong are owned by Regal REIT and, with the exception of 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, 2016, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$19.16 per share, as follows:

	As at 31st December, 2016	
	HK$'M	**HK$ per ordinary share**
Book net assets attributable to equity holders of the parent	**11,828.4**	**12.91**
Adjustment to restate the Group's hotel property portfolio at its market value and add back the relevant deferred tax liabilities	**5,726.4**	**6.25**
Unaudited adjusted net assets attributable to equity holders of the parent	**17,554.8**	**19.16**

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$2,200.6 million (2015 – HK$808.5 million). Net interest payment for the year amounted to HK$135.4 million (2015 – HK$138.3 million).

Borrowings and Gearing

As at 31st December, 2016, the Group had cash and bank balances and deposits of HK$4,029.3 million (2015 – HK$1,573.2 million) and the Group's borrowings net of cash and bank balances and deposits amounted to HK$9,232.4 million (2015 – HK$9,135.6 million).

As at 31st December, 2016, the gearing ratio of the Group was 33.2% (2015 – 36.0%), representing the Group's borrowings net of cash and bank balances and deposits of HK$9,232.4 million (2015 – HK$9,135.6 million) as compared to the total assets of the Group of HK$27,799.4 million (2015 – HK$25,342.6 million).

On the basis of the adjusted total assets as at 31st December, 2016 of HK$34,998.6 million (2015 – HK$32,011.5 million) with the Group's hotel portfolio restated at its market value, the gearing ratio would be 26.4% (2015 – 28.5%).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2016 are shown in notes 27 and 28 to the financial statements.

Pledge of Assets

As at 31st December, 2016, certain of the Group's time deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK$413.8 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, and certain of the Group's property, plant and equipment, investment properties, 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$12,272.4 million were also pledged to secure other banking facilities granted to the Group.

As at 31st December, 2015, certain of the Group's time 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 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 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, 2016 are shown in note 39 to the financial statements.

Contingent Liabilities

As at 31st December, 2016, the Group had contingent liabilities not provided for in the financial statements for corporate guarantees provided in respect of attributable share of banking facilities granted to subsidiaries of a joint venture in the amount of HK$2,579.4 million (2015 – HK$3,123.5 million), of which HK$1,566.8 million (2015 – HK$1,540.1 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, the Company repurchased a total of 7,996,000 ordinary shares of the Company at an aggregate purchase price of HK$34,615,120 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). All the repurchased ordinary shares were cancelled during the year.

Further details of the repurchase by the Company of its ordinary shares during the year are disclosed under the section headed "Purchase, Sale or Redemption of the Company's Listed Securities" in the Report of the Directors below.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

Disposal of 50% interest in Prosper Harvest Investments Limited by P&R Holdings

On 28th December, 2016, a conditional sale and purchase agreement was entered into between P&R Holdings, as the vendor and Dragon Pier Investments Limited (the "Purchaser") in relation to the disposal of 50% equity interest in Prosper Harvest Investments Limited ("Prosper Harvest"), a wholly owned subsidiary of P&R Holdings before completion of the disposal, by P&R Holdings to the Purchaser for a consideration of HK$150 million (the "Disposal"). Upon completion of the Disposal, P&R Holdings' equity interest in Prosper Harvest reduced to 50% and Prosper Harvest ceased to be a subsidiary of P&R Holdings. The principal asset of Prosper Harvest is its interest (through its wholly-owned subsidiaries) in a hotel which is located at Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon (the "Hotel").

The Hotel has 22 storeys with 340 guest rooms and is named as "iclub Ma Tau Wai Hotel". The occupation permit of the Hotel was issued in November 2016. The hotel licence has been applied for and is expected to be issued in the second quarter of 2017.

The consideration of HK$150 million was determined based on the agreed value for the Hotel of HK$1,300 million with reference to the valuation of the Hotel of HK$1,360 million as at 21st December, 2016 as appraised by a qualified independent valuer, the location and specifications of the Hotel, and the market conditions regarding the hotel industry in Hong Kong, as well as the outstanding loan of HK$1,000 million made by P&R Holdings to Prosper Harvest on the date of completion of the Disposal. The Disposal was completed on 30th December, 2016. Further details of the Disposal were disclosed in the joint announcement of the Company dated 28th December, 2016.

Save as disclosed herein, during the year under review, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

STAFF AND REMUNERATION POLICY

The Group employs approximately 1,970 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.

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, 2016.

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, 2016 and the Group's financial position at that date are set out in the financial statements on pages 72 to 166.

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 46, respectively, of this Annual Report. Those relevant contents form part of this Report of the Directors. Details of the Group's financial risk management are disclosed in note 42 to the financial statements.

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

DIVIDENDS

An interim dividend of HK4.0 cents (2015 – HK4.0 cents) per ordinary share, absorbing an amount of approximately HK$37.0 million (2015 – 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 (2015 – HK9.0 cents) per ordinary share for the year ended 31st December, 2016, absorbing an amount of approximately HK$82.4 million (2015 – HK$83.2 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 15th June, 2017.

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the Company will be convened to be held on Wednesday, 7th June, 2017. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the "Circular") to be sent to the shareholders, together with this Annual Report.

CLOSURE OF REGISTER

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

(i) from Friday, 2nd June, 2017 to Wednesday, 7th June, 2017, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2017 Annual General Meeting. In order to be entitled to attend and vote at the 2017 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 Thursday, 1st June, 2017; and

(ii) from Tuesday, 13th June, 2017 to Thursday, 15th June, 2017, 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 Monday, 12th June, 2017.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 26th June, 2017.

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 2017 Annual General Meeting:

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

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

(iii) Mr. Ng Siu Chan (Independent Non-Executive Director); and

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

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2017 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.

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, 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

				Number of shares held			
	The Company/ Name of associated corporation	**Name of Director**	**Class of shares held**	**Personal interests**	**Corporate interests**	**Family/Other interests**	**Total (Approximate percentage of the issued shares as at 31st December, 2016)**
1.	**The Company**	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,739,261 (Note c)	260,700	623,024,161 (68.01%)
		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 (5.48%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	10,200	–	–	10,200 (0.001%)
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	110,667,396	1,769,164,691 (Note a)	380,683	1,880,212,770 (58.69%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Mr. 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%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2016)
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. 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)	–	3,117,856,716 (Note e)	–	3,117,856,716
			(ii) (unissued)	–	5,024,058,784 (Note f)	–	5,024,058,784
						Total:	8,141,915,500 (191.55%)
			Preference (issued)	–	2,345,487,356 (Note f)	–	2,345,487,356 (99.98%)
		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	Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2016)
				Number of shares held			
5.	Regal REIT	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note h)	–	1,000 (100%)

Notes:

(a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").

(b) The interests in 694,124,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.67% 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 58.67% shareholding interests. The interests in 599,025,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 62.28% shareholding interests. The interests in the other 23,292,000 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 67.93% 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 386,540,000 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. PHL, in which CCIHL held 62.28% shareholding interests, held 67.93% shareholding interests in the Company. Mr. Lo held 58.67% shareholding interests in CCIHL.

(f) The interests in 5,024,058,784 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28% shareholding interests, held 67.93% shareholding interests in the Company. Mr. Lo held 58.67% shareholding interests in CCIHL.

The interests in 2,345,487,356 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,345,487,356 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

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

The interests in 1,250,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds in a principal amount of HK$500,000,000 issued by the CB Issuer. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

(g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. Cosmopolitan was held as to 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 62.28% shareholding interests, held 67.93% shareholding interests in the Company. Mr. Lo held 58.67% shareholding interests in CCIHL.

(h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.67% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 31st December, 2016, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2016, 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, 2016
YSL International Holdings Limited ("YSL Int'l") (Note i)	622,739,261	–	622,739,261	67.98%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	622,739,261	–	622,739,261	67.98%
CCIHL (Note iii)	622,739,261	–	622,739,261	67.98%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	622,739,261	–	622,739,261	67.98%
PHL (Note v)	622,317,861	–	622,317,861	67.93%
Paliburg Development BVI Holdings Limited (Note vi)	622,317,861	–	622,317,861	67.93%
Guo Yui Investments Limited (Note vi)	271,140,466	–	271,140,466	29.60%
Paliburg BVI Holdings Limited (Note vi)	230,870,324	–	230,870,324	25.20%
Taylor Investments Ltd. (Note vi)	154,232,305	–	154,232,305	16.84%
Glaser Holdings Limited (Note vi)	58,682,832	–	58,682,832	6.41%

Notes:

(i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

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

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

(iv) CCBVI is a wholly owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.

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

(vi) These companies are wholly owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31st December, 2016, 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, 2016 is set out below:

Name of Director	Details of changes
Executive Directors:	
Mr. Lo Yuk Sui	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$400,000 commencing from January 2017. (Notes (i) and (ii))
Miss Lo Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$136,500 commencing from January 2017. (Note (i))
	• Appointed as an independent non-executive director of Meitu, Inc. since its listing on the Stock Exchange on 15th December, 2016.
Ms. Belinda Yeung Bik Yiu	• Entitled to a monthly salary, based on services rendered to the Group, in an amount of HK$218,000 commencing from January 2017. (Note (i))
Mr. Donald Fan Tung	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$86,000 commencing from January 2017. (Note (i))
Mr. Jimmy Lo Chun To	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$42,000 commencing from January 2017. (Note (i))
Mr. Kenneth Ng Kwai Kai	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$141,000 commencing from January 2017. (Note (i))
Mr. Allen Wan Tze Wai	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$92,400 commencing from January 2017. (Note (i))
Independent Non-Executive Directors:	
Ms. Alice Kan Lai Kuen	• Ceased to be a director and responsible officer of Asia Investment Research Limited on 28th September, 2016 and a shareholder thereof on 26th October, 2016.
Mr. Wong Chi Keung	• Appointed as an independent non-executive director and the chairman of the audit committee of Heng Xin China Holdings Limited, a company listed on the Stock Exchange, with effect from 17th October, 2016.

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$150,000 per annum (with effect from 1st July, 2016) in acting as a Director of the Company. Details of the remuneration of the Executive Directors for the year ended 31st December, 2016 are disclosed in note 8 to the financial statements.

(ii) Mr. Lo Yuk Sui, who is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company, is entitled to normal fee of HK$50,000 per annum (with effect from 1st July, 2016) in acting as the chairman or a member of each of such board committees.

(iii) The Non-Executive Director and the Independent Non-Executive Directors are each entitled to normal Director's fee in the amount of HK$150,000 per annum (with effect from 1st July, 2016) in acting as a Director of the Company. The Independent Non-Executive Directors, who are also the chairman or members of the board committees of the Company, are each entitled to the following normal fees with effect from 1st July, 2016:

	Normal fee per annum	
	Chairman	**Member**
Audit Committee	HK$150,000	HK$100,000
Nomination Committee	HK$50,000	HK$50,000
Remuneration Committee	HK$50,000	HK$50,000

Details of the remuneration of all Directors for the year ended 31st December, 2016 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, 2016 are set out below:

Name of Affiliated Companies		**Principal Amount of Advances (HK$'million)**	**Interest Receivable (HK$'million)**	**Guarantee given for Banking Facilities (i) Principal Amount of Banking Facilities (HK$'million)**	**Guarantee given for Banking Facilities (ii) Amount of Banking Facilities Drawdown (HK$'million)**
8D International (BVI) Limited	(A)	11.3	–	Nil	Nil
8D Matrix Limited	(B)	57.6	–	Nil	Nil
Yieldtop Holdings Limited	(C)	0.8	–	Nil	Nil
P&R Holdings Limited	(D)	2,391.5	(E) 30.4	(F)(i) 2,579.4	(F)(ii) 1,566.8
			Total:	(A) to (F)(i)	5,071.0
				(A) to (E) & (F)(ii)	4,058.4

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 two wholly owned subsidiaries, Century Innovative Technology Limited and 深圳市世紀創意科技有限公司 (collectively, "Century Innovative Technology"), which are principally engaged in the online education, entertainment and technology business based on the "*Bodhi and Friends*" characters. 8D Matrix also owns a wholly owned subsidiary involved in advertising and promotion business. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL and 60% indirectly by Mr. Lo through his close associates (as defined in the Listing Rules). The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D Matrix, for the purpose of financing the working capital of 8D Matrix and Century Innovative Technology. The advances are unsecured, interest-free and 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 and have no fixed terms of repayment and except for an aggregate amount of HK$1,890.0 million which bears interest at a fixed rate of 4% to 5% per annum, the balance of the advances is interest free. The guarantees were provided by the Company on a several basis in proportion to its shareholding interests in P&R Holdings and were given in respect of the respective bank loan facilities of, in aggregate, HK$2,579.4 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, 2016, 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$5,071.0 million (based on the total available amount of the banking facilities) and (b) HK$4,058.4 million (based on the total amount of banking facilities drawdown) represented (a) 18.2% and (b) 14.6% of the consolidated total assets of the Group of HK$27,799.4 million, calculated by reference to its latest audited consolidated financial statements for the year ended 31st December, 2016.

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, 2016, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

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

	Combined statement of financial position (HK$'million)	The Group's attributable interest (HK$'million)
Non-current assets	5,310.8	2,659.4
Current assets	9,680.1	4,849.7
Current liabilities	(3,890.6)	(1,952.2)
Non-current liabilities	(9,060.2)	(4,601.5)
	2,040.1	955.4
Non-controlling interests	(232.6)	(116.3)
Net assets attributable to equity holders of the parent	1,807.5	839.1

CONNECTED TRANSACTION

FINANCIAL ASSISTANCE TO THE COSMOPOLITAN GROUP

On 4th August, 2016, a conditional facilities agreement (the "Facilities Agreement") was entered into between Long Profits Investments Limited, a wholly owned subsidiary of the Company, as Lender, Bizwise Investments Limited ("Bizwise"), a wholly-owned subsidiary of Cosmopolitan (together with its subsidiaries, the "Cosmopolitan Group"), as Borrower and Cosmopolitan as Guarantor in relation to the provision of a 5-year term loan and revolving loan facilities of an aggregate amount of HK$1,850,000,000 (the "Loan Facilities"). The Loan Facilities were provided for the purpose of settlement of part of the outstanding considerations due to P&R Holdings, Faith Crown Holdings Limited (a 50:50 joint venture of the Company and Cosmopolitan) and Regal International (BVI) Holdings Limited (a wholly owned subsidiary of the Company) payable on or before 13th September, 2016 in relation to the Cosmopolitan Group's acquisition of certain property development projects in Chengdu and Tianjin, the People's Republic of China in 2013.

As at the date of the Facilities Agreement, PHL is a controlling shareholder of the Company. Bizwise is an associate of PHL and is therefore a connected person of the Company. The provision of the Loan Facilities constituted a major transaction and a connected transaction to the Company under Chapters 14 and 14A of the Listing Rules, respectively, and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The entering into of the Facilities Agreement was approved by the independent shareholders of the Company at a special general meeting of the Company held on 11th October, 2016. The transactions contemplated under the Facilities Agreement were completed in October 2016, following the fulfillment of the conditions precedent to the Facilities Agreement, including among others, the extension of the terms of certain convertible bonds of the Cosmopolitan Group issued to the P&R Holdings group and optional convertible bonds of the Cosmopolitan Group to be issued upon the exercise of an option granted to P&R Holdings becoming unconditional. Further details relating to the Facilities Agreement were disclosed in the joint announcements of the Company dated 4th August, 2016, 25th August, 2016 and 14th September, 2016 and the circular of the Company dated 23rd September, 2016.

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

During the year ended 31st December, 2016, the Company repurchased a total of 7,996,000 ordinary shares of the Company at aggregate purchase prices of HK$34,615,120 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest (HK$)	Price per ordinary share Lowest (HK$)	Aggregate purchase price (HK$)
August 2016	540,000	4.23	3.89	2,234,100
September 2016	6,592,000	4.42	4.21	28,634,100
October 2016	864,000	4.41	4.31	3,746,920
Total	7,996,000			34,615,120
		Total expenses on shares repurchased		99,974
		Dividends received before cancellation		(5,118)
			Total	34,709,976

All the above 7,996,000 repurchased ordinary shares were cancelled during the year. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

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 27 and 28 to the financial statements.

SHARE CAPITAL

The details of movements in the share capital of the Company, together with the reasons therefor, during the year are set out in note 31 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 31 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$0.9 million.

DISTRIBUTABLE RESERVES

As at 31st December, 2016, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK$5,459.1 million, of which HK$82.4 million has been proposed as final dividend for the year.

In addition, the Company's share premium account, in the amount of HK$520.1 million, may be distributed in the form of fully paid bonus shares.

AUDITOR

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company for the year ended 31st December, 2016 will be published as a separate report from this Annual Report in compliance with relevant requirements under the Listing Rules on or before 28th July, 2017.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong
27th March, 2017

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, 2016.

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, 2016, 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, 2016, 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 2016, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	**Attendance**	
	Board Meetings	*General Meetings*
Executive Directors		
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	13/13	2/2
Miss Lo Po Man *(Vice Chairman and Managing Director)*	13/13	2/2
Ms. Belinda Yeung Bik Yiu *(Chief Operating Officer)*	11/13	2/2
Mr. Donald Fan Tung	13/13	2/2
Mr. Jimmy Lo Chun To	13/13	2/2
Mr. Kenneth Ng Kwai Kai	13/13	2/2
Mr. Allen Wan Tze Wai	11/13	2/2
Non-Executive Director		
Dr. Francis Choi Chee Ming, GBS, JP *(Vice Chairman)*	13/13	2/2
Independent Non-Executive Directors		
Ms. Alice Kan Lai Kuen	13/13	2/2
Professor Japhet Sebastian Law	12/13	2/2
Mr. Ng Siu Chan	13/13	2/2
Mr. Wong Chi Keung	13/13	2/2

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 2016, the Company arranged for Directors a seminar covering topics on certain new requirements under the Listing Rules and some update on recent developments of the aircraft leasing and the warranty and indemnity insurance. The training received by the Directors during the year 2016 is summarised below:

Name of Directors	**Types of training**
Executive Directors	
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	A, B
Miss Lo Po Man *(Vice Chairman and Managing Director)*	A, B
Ms. Belinda Yeung Bik Yiu *(Chief Operating Officer)*	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
Non-Executive Director	
Dr. Francis Choi Chee Ming, GBS, JP *(Vice Chairman)*	B
Independent Non-Executive Directors	
Ms. Alice Kan Lai Kuen	A, B
Professor Japhet Sebastian Law	A, B
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 2016, the Audit Committee met twice and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	Attendance
Mr. Wong Chi Keung *(Chairman of the Committee)*	2/2
Dr. Francis Choi Chee Ming, GBS, JP	2/2
Ms. Alice Kan Lai Kuen	2/2
Professor Japhet Sebastian Law	2/2
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 2016, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	**Attendance**
Mr. Wong Chi Keung *(Chairman of the Committee)*	1/1
Mr. Lo Yuk Sui	1/1
Ms. Alice Kan Lai Kuen	1/1
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, 2016 by band is set out below:

Remuneration band	Number of individuals
HK$1,000,001 – 1,500,000	2
HK$1,500,001 – 2,000,000	1
HK$2,000,001 – 2,500,000	0
HK$2,500,001 – 3,000,000	1
HK$3,000,001 – 3,500,000	1
HK$3,500,001 – 4,000,000	1
Within bands from HK$4,000,001 – 9,500,000	0
HK$9,500,001 – 10,000,000	1

Further details of the Executive Directors' remuneration for the year ended 31st December, 2016 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 2016, 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 *(Chairman of the Committee)*	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, financial reporting and internal audit functions, with staff members possessing appropriate qualifications and experience engaged in the discharge of those relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis. The overall budgets allocated to these functions have been reviewed and considered to be adequate.

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

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

(V) DIRECTORS' SECURITIES TRANSACTIONS

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

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Regal Code during the year ended 31st December, 2016.

(VI) RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

(VII) AUDITOR'S REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditor of the Company at the 2016 Annual General Meeting until the conclusion of the forthcoming 2017 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditor of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2016 were HK$7.3 million (2015 - HK$6.7 million) and HK$3.2 million (2015 - HK$1.1 million), respectively. The significant non-audit services covered by these fees are as follows:

Nature of services	Fees paid (HK$'million)
(1) Interim review of the financial statements of the Group and the Regal REIT group, respectively, for the six months ended 30th June, 2016	0.9
(2) Compliance and other services to the Group	2.3

(VIII) SHAREHOLDERS' RIGHT

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

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

During the year ended 31st December, 2016, 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, 2016

	Notes	2016 HK$'million	2015 HK$'million
REVENUE	5	**2,617.1**	2,471.8
Cost of sales		**(1,428.7)**	(1,349.7)
Gross profit		**1,188.4**	1,122.1
Other income and gain, net	5	**112.9**	168.6
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		**(46.8)**	14.3
Fair value losses on investment properties, net	14	**(41.4)**	(4.7)
Fair value gain upon reclassification of a property held for sale to an investment property		**58.5**	–
Property selling and marketing expenses		**(7.6)**	(3.2)
Administrative expenses		**(276.9)**	(250.8)
OPERATING PROFIT BEFORE DEPRECIATION		**987.1**	1,046.3
Depreciation		**(530.3)**	(511.2)
OPERATING PROFIT		**456.8**	535.1
Finance costs	7	**(395.4)**	(330.3)
Share of profits and losses of:			
Joint ventures		**233.1**	14.2
Associates		**(12.4)**	(22.2)
PROFIT BEFORE TAX	6	**282.1**	196.8
Income tax	10	**(41.3)**	(36.9)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**240.8**	159.9
Attributable to:			
Equity holders of the parent		**213.7**	119.0
Non-controlling interests		**27.1**	40.9
		240.8	159.9
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**HK$0.23**	HK$0.13

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2016

	2016 HK$'million	2015 HK$'million
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**240.8**	159.9
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	**(4.8)**	22.1
Cash flow hedges:		
Changes in fair value of cash flow hedges	**–**	(0.3)
Transfer from hedge reserve to the statement of profit or loss	**–**	1.0
	–	0.7
Exchange differences on translating foreign operations	**(16.2)**	(22.6)
Share of other comprehensive loss of:		
A joint venture	**(85.8)**	(54.2)
An associate	**(0.1)**	(0.1)
Other comprehensive loss for the year	**(106.9)**	(54.1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**133.9**	105.8
Attributable to:		
Equity holders of the parent	**106.8**	64.8
Non-controlling interests	**27.1**	41.0
	133.9	105.8

Consolidated Statement of Financial Position

As at 31st December, 2016

	Notes	2016 HK$'million	2015 HK$'million
NON-CURRENT ASSETS			
Property, plant and equipment	13	**15,330.7**	15,875.6
Investment properties	14	**1,026.0**	1,070.0
Investments in joint ventures	15	**3,146.8**	3,327.6
Investments in associates	16	**6.5**	125.1
Available-for-sale investments	17	**236.6**	133.4
Financial asset at fair value through profit or loss	18	**1.9**	1.9
Other loan	19	**1,350.0**	–
Finance lease receivables	20	**36.8**	–
Debtors and deposits	21	**5.4**	5.4
Deferred tax assets	30	**94.0**	79.1
Total non-current assets		**21,234.7**	20,618.1
CURRENT ASSETS			
Properties held for sale	22	**264.6**	479.4
Inventories	23	**33.0**	33.9
Debtors, deposits and prepayments	21	**303.4**	1,633.4
Finance lease receivables	20	**36.3**	–
Held-to-maturity investments	24	**466.7**	201.2
Financial assets at fair value through profit or loss	18	**918.4**	795.6
Other loan	19	**500.0**	–
Derivative financial instruments	29	**12.8**	4.7
Tax recoverable		**0.2**	3.1
Restricted cash	25	**63.5**	46.4
Pledged time deposits and bank balances		**265.1**	346.3
Time deposits		**2,595.1**	400.2
Cash and bank balances		**1,105.6**	780.3
Total current assets		**6,564.7**	4,724.5
CURRENT LIABILITIES			
Creditors, deposits received and accruals	26	**(498.8)**	(424.4)
Interest bearing bank borrowings	27	**(188.0)**	(279.9)
Other borrowings	28	**(2,281.7)**	–
Derivative financial instruments	29	**(5.7)**	–
Tax payable		**(60.8)**	(36.0)
Total current liabilities		**(3,035.0)**	(740.3)
NET CURRENT ASSETS		**3,529.7**	3,984.2
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,764.4**	24,602.3

As at 31st December, 2016

	Notes	2016 HK$'million	2015 HK$'million
NON-CURRENT LIABILITIES			
Creditors and deposits received	26	**(135.6)**	(147.0)
Interest bearing bank borrowings	27	**(6,170.7)**	(6,187.0)
Other borrowings	28	**(4,621.3)**	(4,241.9)
Deferred tax liabilities	30	**(954.6)**	(1,004.8)
Total non-current liabilities		**(11,882.2)**	(11,580.7)
Net assets		**12,882.2**	13,021.6
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	31	**91.6**	92.4
Reserves	32	**11,736.8**	11,770.6
		11,828.4	11,863.0
Non-controlling interests		**1,053.8**	1,158.6
Total equity		**12,882.2**	13,021.6

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2016

	Note	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	11,195.6	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	11	–	–	–	–	–	–	–	(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

	Notes	Attributable to equity holders of the parent										
		Issued capital HK$'m	Share premium account HK$'m	Capital redemption reserve HK$'m	Equity component of convertible bonds of a joint venture HK$'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, 2016		92.4	554.0	15.2	–	33.5	35.1	(34.8)	11,167.6	11,863.0	1,158.6	13,021.6
Profit for the year		–	–	–	–	–	–	–	213.7	213.7	27.1	240.8
Other comprehensive income/(loss) for the year:												
Changes in fair value of available-for-sale investments		–	–	–	–	–	(4.8)	–	–	(4.8)	–	(4.8)
Exchange differences on translating foreign operations		–	–	–	–	–	–	(16.2)	–	(16.2)	–	(16.2)
Share of other comprehensive loss of												
A joint venture		–	–	–	–	(31.6)	–	(54.2)	–	(85.8)	–	(85.8)
An associate		–	–	–	–	–	–	(0.1)	–	(0.1)	–	(0.1)
Total comprehensive income/(loss) for the year		–	–	–	–	(31.6)	(4.8)	(70.5)	213.7	106.8	27.1	133.9
Repurchase and cancellation of ordinary shares	31	(0.8)	(33.9)	0.8	–	–	–	–	(0.8)	(34.7)	–	(34.7)
Distribution to a non-controlling interest		–	–	–	–	–	–	–	–	–	(4.4)	(4.4)
Elimination of reciprocal interests		–	–	–	–	–	–	–	1.0	1.0	–	1.0
Final 2015 dividend declared		–	–	–	–	–	–	–	(83.2)	(83.2)	(66.2)	(149.4)
Interim 2016 dividend	11	–	–	–	–	–	–	–	(36.7)	(36.7)	(61.3)	(98.0)
Share of a joint venture		–	–	–	12.2	–	–	–	–	12.2	–	12.2
At 31st December, 2016		91.6	520.1	16.0	12.2	1.9	30.3	(105.3)	11,261.6	11,828.4	1,053.8	12,882.2

Consolidated Statement of Cash Flows

For the year ended 31st December, 2016

	Notes	2016 HK$'million	2015 HK$'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**282.1**	196.8
Adjustments for:			
Finance costs	7	**395.4**	330.3
Share of profits and losses of joint ventures and associates		**(220.7)**	8.0
Interest income	5	**(142.6)**	(134.5)
Depreciation	6	**530.3**	511.2
Dividend income from listed investments	5	**(6.5)**	(7.2)
Dividend income from an unlisted investment		**(0.4)**	–
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		**46.8**	(14.3)
Fair value losses on investment properties, net		**41.4**	4.7
Fair value gain upon reclassification of a property held for sale to an investment property		**(58.5)**	–
Unrealised interest income from a joint venture		**28.7**	21.5
Loss on disposal of an investment property	5	**23.7**	–
Gain on disposal of items of property, plant and equipment, net	5	**(19.6)**	(38.3)
Write-back of other creditors		**–**	(11.1)
Write-off of items of property, plant and equipment		**0.4**	–
		900.5	867.1
Decrease in inventories		**0.9**	1.8
Decrease in properties held for sale		**154.1**	64.1
Decrease/(increase) in debtors, deposits and prepayments		**1,335.7**	(11.8)
Receipt from finance lease receivables		**14.6**	–
Increase in restricted cash		**(0.2)**	–
Increase in financial assets at fair value through profit or loss		**(194.5)**	(35.8)
Decrease/(increase) in derivative financial instruments		**4.7**	(1.4)
Increase in creditors, deposits received and accruals		**36.9**	0.7
Cash generated from operations		**2,252.7**	884.7
Interest received		**18.6**	18.7
Interest received from finance leases		**1.0**	–
Dividends received from listed investments		**6.5**	7.2
Hong Kong profits tax paid		**(77.6)**	(101.2)
Overseas taxes paid		**(0.6)**	(0.9)
Net cash flows from operating activities		**2,200.6**	808.5

For the year ended 31st December, 2016

	2016 HK$'million	2015 HK$'million
Net cash flows from operating activities	**2,200.6**	808.5
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment properties	**(1.4)**	(0.7)
Purchases of items of property, plant and equipment	**(84.5)**	(296.3)
Proceeds from disposal of items of property, plant and equipment	**0.8**	105.4
Proceeds from disposal of an investment property	**95.4**	–
Purchases of available-for-sale investments	**(103.4)**	(4.5)
Purchases of held-to-maturity investments	**(1,533.2)**	(865.2)
Proceeds from redemption of held-to-maturity investments	**1,267.7**	1,042.1
Advances to joint ventures	**(745.2)**	(934.3)
Repayment from joint ventures	**455.9**	749.1
Advances to associates	**(17.6)**	(17.2)
Repayment from associates	**10.4**	0.9
Interest received	**136.8**	144.9
Dividend received from unlisted investments	**718.2**	29.8
Decrease/(increase) in pledged time deposits and bank balances	**81.2**	(18.9)
Increase in restricted cash	**(16.9)**	(4.4)
Decrease/(increase) in other loan	**(1,850.0)**	13.7
Net cash flows used in investing activities	**(1,585.8)**	(55.6)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase and cancellation of ordinary shares	**(34.7)**	–
Increase in other borrowings	**2,667.4**	–
Drawdown of new bank loans	**4,838.1**	503.4
Repayment of bank loans	**(4,930.0)**	(924.7)
Interest paid	**(291.8)**	(301.9)
Payment of loan and other costs	**(77.6)**	(4.0)
Dividends paid	**(119.7)**	(143.8)
Dividends paid to non-controlling shareholders	**(127.5)**	(134.1)
Distribution to a non-controlling shareholder	**(4.4)**	–
Decrease in restricted cash	**–**	5.2
Net cash flows from/(used in) financing activities	**1,919.8**	(999.9)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**2,534.6**	(247.0)
Cash and cash equivalents at beginning of year	**1,180.5**	1,443.4
Effect of foreign exchange rate changes, net	**(14.4)**	(15.9)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**3,700.7**	1,180.5
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,105.6**	780.3
Non-pledged time deposits with original maturity of less than three months when acquired	**2,595.1**	400.2
	3,700.7	1,180.5

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 2016	2015	Principal activities
Aim Success Investments Limited	Hong Kong	HK$1	–	100	Property investment
Alpha Season Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Ascent Human Resources Holdings Limited	Hong Kong	HK$2	100	100	Provision of housekeeping services
Capital Charm Holdings Limited	Hong Kong	HK$1	100	100	Property development
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
Clear Gain Investments Limited	Hong Kong	HK$1	100	100	Property development
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

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2016	2015	Principal activities
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	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	Property investment
Honormate Nominees Limited	Hong Kong	HK$2	100	100	Securities investment and nominee services

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2016	2015	Principal activities
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
Metropolitan F&B Management Limited	Hong Kong	HK$1	100	–	Provision of management services for food and beverage operations
Metropolitan Umami (Tsim Sha Tsui East) Limited	Hong Kong	HK$1	100	–	Food and beverage operations
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 F&B Management Limited	Hong Kong	HK$1	100	100	Provision of management services for food and beverage operations

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2016	2015	Principal activities
Regal F&B (ROH) Limited	Hong Kong	HK$1	100	100	Food and beverage operations
Regal F&B (RRH) Limited	Hong Kong	HK$1	100	100	Food and beverage operations
Regal Hotels (Holdings) Limited	Hong Kong	HK$1,151,598,638	100	100	Investment holding and management services
Regal Hotels Company Limited	Hong Kong	HK$2	100	100	Investment holding
Regal Hotels International Limited	Hong Kong	HK$100,000	100	100	Hotel management and investment holding
Regal Hotels Management (BVI) Limited	British Virgin Islands/ Mainland China	US$1	100	100	Investment holding and hotel management
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

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2016	2015	Principal activities
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
Total Wisdom Investments Limited	British Virgin Islands	US$1	100	–	Investment holding
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
Unique Sky Holdings Limited	British Virgin Islands	US$1	100	–	Investment holding
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
Wealthy Path Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Wealthy Smart Investments Limited	British Virgin Islands	US$1	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(1)	The People's Republic of China ("PRC")/ Mainland China	RMB100,000	100	100	Room reservation services
富豪酒店投資管理（上海）有限公司(1)	PRC/ Mainland China	US$140,000	100	100	Hotel management
上海八端旅遊服務有限公司(1)	PRC/ Mainland China	US$375,000	100	100	Travel agency

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company 2016	2015	Principal activities
Regal Real Estate Investment Trust	Hong Kong	3,257,431,189 units	74.58	74.58	Property investment
Bauhinia Hotels Limited(2)	Hong Kong	HK$2	74.58	74.58	Hotel ownership
Cityability Limited(2)	Hong Kong	HK$10,000	74.58	74.58	Hotel ownership
Gala Hotels Limited(2)	Hong Kong	HK$2	74.58	74.58	Hotel ownership
Regal Asset Holdings Limited(2)	Bermuda/ Hong Kong	US$12,000	74.58	74.58	Investment holding
Regal Riverside Hotel Limited(2)	Hong Kong	HK$2	74.58	74.58	Hotel ownership
Rich Day Investments Limited(2)	Hong Kong	HK$1	74.58	74.58	Financing
Ricobem Limited(2)	Hong Kong	HK$100,000	74.58	74.58	Hotel ownership
Sonnix Limited(2)	Hong Kong	HK$2	74.58	74.58	Property ownership and hotel operations
R-REIT International Finance Limited(2)	British Virgin Islands	US$1	74.58	74.58	Financing
Tristan Limited(2)	Hong Kong	HK$20	74.58	74.58	Hotel ownership
Wise Decade Investments Limited(2)	Hong Kong	HK$1	74.58	74.58	Hotel ownership

Notes:

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

(2) These companies are subsidiaries of Regal REIT.

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, 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of amendments to HKAS 1 and amendments to HKAS 16 and HKAS 38, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) 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 amendments have had no significant impact on the Group's financial statements.

(b) 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 1 included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of Hong Kong Financial Reporting Standards*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 28 included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1st January, 2017
2 Effective for annual periods beginning on or after 1st January, 2018
3 Effective for annual periods beginning on or after 1st January, 2019
4 No mandatory effective date yet determined but available for adoption

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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 June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1st January, 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1st January, 2019. The Group expects that certain portion of the operating lease commitments will be required to be recognised as right-of-use assets and lease liabilities upon adoption of HKFRS 16. The Group will perform a more detailed analysis upon the adoption of HKFRS 16.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1st January, 2017. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1st January, 2017. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31st December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(b) Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred.

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 in 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 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 the 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.

Finance leases, which transfer to the lessee substantially all the rewards and risks incidental to ownership of a leased item, are capitalised at the inception of the lease at fair value of the leased item, or if lower, at the present value of the minimum lease payments. Lease payments receivable are apportioned between the finance income and reduction in the investment in finance leases so as to achieve a constant rate of interest on the remaining balance of the net investment in finance leases. Finance income is credited to the statement of profit or loss.

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

(w) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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.

The Group has also entered into certain aircraft leases whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased aircraft to the lessees based on an evaluation of the terms and conditions of the arrangements. Accordingly, the Group has derecognised these aircraft and has recognised finance lease receivables on its consolidated statement of financial position. Otherwise the Group classifies the aircraft as property, plant and equipment under operating lease arrangements.

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, 2016 was HK$1,026.0 million (2015 - 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, 2016 was HK$95.7 million (2015 - HK$81.2 million). The amount of unrecognised deferred tax assets in respect of tax losses at 31st December, 2016 was HK$499.3 million (2015 - HK$486.8 million). Further details are contained in note 30 to the financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets 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, 2016 was HK$215.7 million (2015 - HK$363.1 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, operation of security storage lounge, the provision of housekeeping services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

Segment assets exclude deferred tax assets, tax recoverable, restricted cash, pledged time deposits and bank balances, time deposits, cash and bank balances, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest bearing bank borrowings, other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2016 and 2015:

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2016 HK$'m	2015 HK$'m	2016 HK$'m	2015 HK$'m	2016 HK$'m	2015 HK$'m	2016 HK$'m	2015 HK$'m	2016 HK$'m	2015 HK$'m	2016 HK$'m	2015 HK$'m	2016 HK$'m	2015 HK$'m	2016 HK$'m	2015 HK$'m
Segment revenue:																
Sales to external customers	2,153.9	2,171.3	–	–	215.9	133.6	135.4	38.0	99.0	91.9	12.9	37.0	–	–	2,617.1	2,471.8
Intersegment sales	3.0	–	96.2	96.2	3.9	5.3	–	–	–	–	24.9	3.1	(128.0)	(104.6)	–	–
Total	**2,156.9**	**2,171.3**	**96.2**	**96.2**	**219.8**	**138.9**	**135.4**	**38.0**	**99.0**	**91.9**	**37.8**	**40.1**	**(128.0)**	**(104.6)**	**2,617.1**	**2,471.8**
Segment results before depreciation	792.3	835.3	(11.9)	(13.5)	112.7	125.0	97.7	63.7	106.3	118.0	(7.3)	(4.7)	–	–	1,089.8	1,123.8
Depreciation	(466.5)	(464.0)	(0.4)	(0.4)	(5.9)	(5.9)	–	–	(54.3)	(39.9)	(3.2)	(1.0)	–	–	(530.3)	(511.2)
Segment operating results	325.8	371.3	(12.3)	(13.9)	106.8	119.1	97.7	63.7	52.0	78.1	(10.5)	(5.7)	–	–	559.5	612.6
Unallocated interest income and unallocated non-operating and corporate gains															16.4	16.2
Unallocated non-operating and corporate expenses															(119.1)	(93.7)
Operating profit															**456.8**	**535.1**
Finance costs															**(395.4)**	**(330.3)**
Share of profits and losses of:																
Joint ventures	–	–	–	–	233.1	14.2	–	–	–	–	–	–	–	–	**233.1**	**14.2**
Associates	1.8	–	–	–	(2.3)	(3.5)	–	–	–	–	(11.9)	(18.7)	–	–	**(12.4)**	**(22.2)**
Profit before tax															**282.1**	**196.8**
Income tax															**(41.3)**	**(36.9)**
Profit for the year before allocation between equity holders of the parent and non-controlling interests															**240.8**	**159.9**
Attributable to:																
Equity holders of the parent															**213.7**	**119.0**
Non-controlling interests															**27.1**	**40.9**
															240.8	**159.9**

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Segment assets	15,362.1	15,747.1	42.6	37.5	3,144.9	2,915.1	1,656.0	1,157.7	317.4	387.1	16.6	24.9	(40.7)	(35.5)	20,498.9	20,233.9
Investments in joint ventures	–	–	–	–	3,146.8	3,327.6	–	–	–	–	–	–	–	–	3,146.8	3,327.6
Investments in associates	–	7.1	–	–	(4.1)	110.6	–	–	–	–	10.6	7.4	–	–	6.5	125.1
Cash and unallocated assets															4,147.2	1,656.0
Total assets															27,799.4	25,342.6
Segment liabilities	(391.6)	(379.6)	(2.4)	(1.5)	(40.6)	(5.3)	(10.5)	(18.1)	(138.4)	(170.1)	(2.7)	(3.9)	40.7	35.5	(545.5)	(543.0)
Bank borrowings and unallocated liabilities															(14,371.7)	(11,778.0)
Total liabilities															(14,917.2)	(12,321.0)
Other segment information:																
Interest income	–	(0.5)	–	–	(90.4)	(87.7)	(35.6)	(30.8)	(1.0)	–	–	–				
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	–	–	–	–	–	–	46.8	(14.3)	–	–	–	–				
Fair value losses/(gains) on investment properties, net	(9.0)	(11.0)	–	–	50.4	15.7	–	–	–	–	–	–				
Fair value gain upon reclassification of a property held for sale to an investment property	–	–	–	–	(58.5)	–	–	–	–	–	–	–				
Gain on disposal of items of property, plant and equipment, net	–	(0.2)	–	–	–	–	–	–	(19.6)	(38.1)	–	–				
Capital expenditure	73.6	101.4	0.1	0.2	3.2	1.2	–	–	2.6	363.5	3.1	7.3				

Geographical information

(a) Revenue from external customers

	2016 HK$'million	2015 HK$'million
Hong Kong	**2,433.6**	2,285.5
Mainland China	**23.0**	43.5
Other	**160.5**	142.8
	2,617.1	2,471.8

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

	2016 HK$'million	2015 HK$'million
Hong Kong	**17,810.7**	18,218.5
Mainland China	**1,380.5**	1,710.6
Other	**318.8**	469.2
	19,510.0	20,398.3

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, NET

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

	2016 HK$'million	2015 HK$'million
Revenue		
Hotel operations and management services	**2,102.9**	2,117.3
Other operations, including estate management, estate agency, travel agency and sale of food products	**14.6**	39.3
Rental income:		
Hotel properties	**44.1**	47.2
Investment properties	**15.1**	15.4
Aircraft	**98.0**	91.9
Others	**2.6**	2.7
Net gain from sale of financial assets at fair value through profit or loss	**99.5**	10.9
Net gain on settlement of derivative financial instruments	**3.4**	1.4
Interest income from financial assets at fair value through profit or loss	**26.0**	18.5
Interest Income from finance leases	**1.0**	–
Dividend income from listed investments	**6.5**	7.2
Sale of properties	**203.4**	120.0
	2,617.1	2,471.8
Other income and gain, net		
Bank interest income	**14.8**	14.8
Other interest income	**100.8**	101.2
Loss on disposal of an investment property	**(23.7)**	–
Gain on disposal of items of property, plant and equipment, net	**19.6**	38.3
Others	**1.4**	14.3
	112.9	168.6

6. PROFIT BEFORE TAX

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

	2016 HK$'million	2015 HK$'million
Cost of inventories sold and services provided	**1,042.5**	950.3
Depreciation	**530.3**	511.2
Foreign exchange differences, net*	**41.6**	26.0
Employee benefit expense# (exclusive of directors' remuneration disclosed in note 8):		
Salaries, wages and allowances	**642.6**	633.2
Staff retirement scheme contributions	**28.8**	28.0
Less: Forfeited contributions	**(0.6)**	(0.8)
Net staff retirement scheme contributions	**28.2**	27.2
	670.8	660.4
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
- held for trading	**53.9**	(9.6)
- derivative instruments – transactions not qualifying as hedges	**(7.1)**	(4.7)
	46.8	(14.3)
Minimum lease payments under operating leases	**21.4**	21.0
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**2.7**	2.4
Auditor's remuneration	**7.3**	6.7

* Inclusive of a gain on settlement of foreign currency forward contracts of HK$135.8 million (2015 - Nil) and a net foreign exchange loss of HK$177.4 million (2015 - HK$26.0 million).

\# Inclusive of an amount of HK$567.3 million (2015 - HK$561.2 million) classified under cost of inventories sold and services provided.

7. FINANCE COSTS

	2016 HK$'million	2015 HK$'million
Interest on bank loans	**113.6**	119.2
Interest on other borrowings	**231.4**	183.0
Amortisation of debt establishment costs	**46.9**	23.1
Total interest expenses on financial liabilities not at fair value through profit or loss	**391.9**	325.3
Fair value changes on derivative financial instruments – cash flow hedge (transfer from hedge reserve)	**–**	1.0
Other loan costs	**3.5**	4.0
	395.4	330.3

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:

	2016 HK$'million	2015 HK$'million
Fees	**3.0**	2.3
Other emoluments:		
Salaries, allowances and benefits in kind	**18.6**	19.2
Performance related/discretionary bonuses	**2.3**	2.2
Staff retirement scheme contributions	**1.2**	1.2
	25.1	24.9

With effect from 1st July, 2016, the fee payable to each Director has been revised from HK$100,000 per annum to HK$150,000 per annum as approved by the shareholders at the annual general meeting of the Company held on 2nd June, 2016.

In addition, the fees payable to the Directors for serving as members of each of the following Board Committees of the Company have also been revised with effect from 1st July, 2016:

- from HK$100,000 per annum to HK$150,000 per annum as the chairman of the Audit Committee;
- from HK$50,000 per annum to HK$100,000 per annum as a member of the Audit Committee;
- from HK$30,000 per annum to HK$50,000 per annum as a member of the Nomination Committee; and
- from HK$30,000 per annum to HK$50,000 per annum as a member of the Remuneration Committee.

(a) Non-executive directors

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

	2016 HK$'million	2015 HK$'million
Non-executive director:		
Dr. Francis Choi Chee Ming, GBS, JP	**0.20**	0.15
Independent non-executive directors:		
Ms. Alice Kan Lai Kuen	**0.28**	0.21
Professor Japhet Sebastian Law	**0.20**	0.15
Mr. Ng Siu Chan	**0.28**	0.21
Mr. Wong Chi Keung	**0.33**	0.26
	1.29	0.98

- For the year ended 31st December, 2016, 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, from 1st January, 2016 to 30th June, 2016 and HK$0.15 million per annum and HK$0.1 million per annum as its chairman and a member, respectively, from 1st July, 2016 to 31st December, 2016), the Nomination Committee (HK$0.03 million per annum from 1st January, 2016 to 30th June, 2016 and HK$0.05 million per annum from 1st July, 2016 to 31st December, 2016) and the Remuneration Committee (HK$0.03 million per annum from 1st January, 2016 to 30th June, 2016 and HK$0.05 million per annum from 1st July, 2016 to 31st December, 2016) of the Company, where applicable, amounted to HK$1.29 million.

- 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.

There were no other emoluments payable to the non-executive directors during the year (2015 - Nil).

(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
2016					
Mr. Lo Yuk Sui	0.33	8.28	0.76	0.46	9.83
Miss Lo Po Man	0.25	2.95	0.26	0.15	3.61
Ms. Belinda Yeung Bik Yiu	0.13	2.49	0.50	0.25	3.37
Mr. Donald Fan Tung	0.25	0.97	0.21	0.10	1.53
Mr. Jimmy Lo Chun To	0.25	1.01	0.08	0.05	1.39
Mr. Kenneth Ng Kwai Kai	0.32	1.88	0.27	0.13	2.60
Mr. Allen Wan Tze Wai	0.13	1.06	0.19	0.10	1.48
	1.66	18.64	2.27	1.24	23.81
2015					
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
	1.31	19.18	2.21	1.17	23.87

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2015 - Nil).

Note:

For the year ended 31st December, 2016, the fees entitled by:

– Mr. Lo Yuk Sui also included (i) a fee of HK$0.03 million per annum from 1st January, 2016 to 30th June, 2016 and HK$0.05 million per annum from 1st July, 2016 to 31st December, 2016 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 per annum from 1st January, 2016 to 30th June, 2016 and HK$0.15 million per annum from 1st July, 2016 to 31st December, 2016 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 per annum from 1st January, 2016 to 30th June, 2016 and HK$0.15 million per annum from 1st July, 2016 to 31st December, 2016 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 per annum from 1st January, 2016 to 30th June, 2016 and HK$0.15 million per annum from 1st July, 2016 to 31st December, 2016 for serving as a non-executive director of RPML and a fee of HK$0.05 million per annum from 1st January, 2016 to 30th June, 2016 and HK$0.1 million per annum from 1st July, 2016 to 31st December, 2016 for serving as a member of the audit committee of RPML.

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 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 per annum for serving as a non-executive director of RPML.
– Miss Lo Po Man, Mr. Donald Fan Tung and Mr. Jimmy Lo Chun To also included a fee of 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 per annum for serving as a non-executive director of RPML and a fee of 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 (2015 - four) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. Details of the remuneration for the year of the remaining one (2015 - one) highest paid individual, who was not a Director, are as follows:

	2016 HK$'million	2015 HK$'million
Salaries, allowances and benefits in kind	**1.6**	1.5
Performance related/discretionary bonuses	**0.2**	0.2
Staff retirement scheme contributions	**0.1**	0.1
	1.9	1.8

The emoluments of the remaining one (2015 - one) highest paid individual fell within the band of HK$1,500,001 to HK$2,000,000 (2015 - HK$1,500,001 to HK$2,000,000).

10. INCOME TAX

	2016 HK$'million	2015 HK$'million
Current – Hong Kong		
Charge for the year	**97.7**	83.0
Underprovision/(overprovision) in prior years	**7.4**	(1.9)
Current – Overseas		
Charge for the year	**0.8**	0.9
Deferred (note 30)	**(64.6)**	(45.1)
Total tax charge for the year	**41.3**	36.9

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2015 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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

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

	2016 HK$'million	2015 HK$'million
Profit before tax	**282.1**	196.8
Tax at the Hong Kong statutory tax rate of 16.5% (2015 - 16.5%)	**46.5**	32.5
Adjustments in respect of current tax of previous years	**7.4**	(1.9)
Profits and losses attributable to joint ventures and associates	**(36.4)**	1.3
Higher tax rates of other jurisdictions	**0.2**	0.3
Income not subject to tax	**(41.2)**	(40.9)
Expenses not deductible for tax	**47.3**	33.5
Tax losses utilised from previous years	**(15.2)**	(6.7)
Tax losses not recognised during the year	**29.8**	20.0
Others	**2.9**	(1.2)
Tax charge at the Group's effective rate	**41.3**	36.9

The share of tax credit attributable to a joint venture and associates amounting to HK$0.1 million and Nil, respectively (2015 - HK$0.1 million and Nil, respectively), is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2016 HK$'million	2015 HK$'million
Interim - HK4.0 cents (2015 - HK4.0 cents) per ordinary share	**37.0**	37.0
Proposed final - HK9.0 cents (2015 - HK9.0 cents) per ordinary share	**82.4**	83.2
	119.4	120.2

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$213.7 million (2015 - HK$119.0 million) and on the weighted average of 921.6 million (2015 - 924.1 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, 2016 and 2015 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
31st December, 2016								
At 31st December, 2015 and at 1st January, 2016:								
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	14,951.0	178.5	263.4	108.9	0.9	363.1	9.8	15,875.6
At 1st January, 2016, net of accumulated depreciation	14,951.0	178.5	263.4	108.9	0.9	363.1	9.8	15,875.6
Additions	–	–	45.3	28.5	0.4	2.6	4.4	81.2
Transfer	–	–	9.8	–	–	–	(9.8)	–
Transfer from/(to) properties held for sale, net	–	0.8	(1.1)	–	–	–	–	(0.3)
Write-off/disposals	–	–	(0.6)	–	–	(116.4)	–	(117.0)
Write-back of depreciation upon write-off/disposals/transfer	–	4.5	0.2	–	–	20.3	–	25.0
Depreciation provided during the year	(381.8)	(5.8)	(41.8)	(46.2)	(0.4)	(54.3)	–	(530.3)
Exchange realignment	(3.8)	–	–	(0.1)	–	0.4	–	(3.5)
At 31st December, 2016, net of accumulated depreciation	14,565.4	178.0	275.2	91.1	0.9	215.7	4.4	15,330.7
At 31st December, 2016:								
Cost	16,875.9	190.5	445.9	289.5	3.2	305.3	4.4	18,114.7
Accumulated depreciation	(2,310.5)	(12.5)	(170.7)	(198.4)	(2.3)	(89.6)	–	(2,784.0)
Net carrying amount	14,565.4	178.0	275.2	91.1	0.9	215.7	4.4	15,330.7

	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
31st December, 2015								
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	15,344.8	194.0	228.5	122.2	0.4	157.3	5.6	16,052.8
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	14,951.0	178.5	263.4	108.9	0.9	363.1	9.8	15,875.6
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	14,951.0	178.5	263.4	108.9	0.9	363.1	9.8	15,875.6

At 31st December, 2016, the Group's property, plant and equipment with a net carrying amount of HK$11,355.6 million (2015 - HK$10,550.7 million) were pledged to secure banking facilities granted to the Group.

14. INVESTMENT PROPERTIES

	2016 HK$'million	2015 HK$'million
Carrying amount at 1st January	**1,070.0**	1,074.0
Capital expenditure for the year	**1.4**	0.7
Transfer from properties held for sale	**115.0**	–
Disposals	**(119.0)**	–
Net loss from fair value adjustments	**(41.4)**	(4.7)
Carrying amount at 31st December	**1,026.0**	1,070.0

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, 2016 based on valuations performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$1,026.0 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, 2016, the Group's investment properties with a carrying value of HK$218.0 million (2015 - HK$328.0 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, 2016 using			
	Quoted prices in active markets (Level 1) HK$'million	**Significant observable inputs (Level 2) HK$'million**	**Significant unobservable inputs (Level 3) HK$'million**	**Total HK$'million**
Residential properties	**–**	**–**	**808.0**	**808.0**
Commercial properties	**–**	**–**	**218.0**	**218.0**
	–	**–**	**1,026.0**	**1,026.0**

	Fair value measurement as at 31st December, 2015 using			
	Quoted prices in active markets (Level 1) HK$'million	**Significant observable inputs (Level 2) HK$'million**	**Significant unobservable inputs (Level 3) HK$'million**	**Total HK$'million**
Residential properties	–	–	861.0	861.0
Commercial properties	–	–	209.0	209.0
	–	–	1,070.0	1,070.0

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 (2015 - Nil).

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

	Residential properties HK$'million	Commercial properties HK$'million
Carrying amount at 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 and 1st January, 2016	861.0	209.0
Capital expenditure for the year	1.4	–
Transfer from properties held for sale	115.0	–
Disposals	(119.0)	–
Gain/(loss) from fair value adjustments	(50.4)	9.0
Carrying amount at 31st December, 2016	808.0	218.0

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 2016	Range 2015
Residential properties	Sales comparison approach	Estimated market price per square foot	HK$22,215 to HK$31,319	HK$23,210 to HK$33,352
Commercial properties	Discounted cash flow method	Capitalisation rate	2.5% to 3.25%	3.25% to 3.75%
		Discount rate	5.5% to 6.25%	6.25% to 6.75%
		Estimated rental value per square metre and per month	HK$512 to HK$1,180	HK$499 to HK$1,478

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

	2016 HK$'million	2015 HK$'million
Share of net assets	**904.7**	1,351.0
Unrealised income and gain eliminated	**(179.8)**	(121.7)
Loans to a joint venture	**2,391.5**	2,079.4
Amount due from a joint venture	**30.4**	18.9
	3,146.8	3,327.6

The loans to a joint venture are unsecured, interest-free and have no fixed terms of repayment except for (i) an amount of HK$662.6 million (2015 - HK$412.6 million) which is interest bearing at 4% per annum and (ii) an amount of HK$1,227.5 million (2015 - HK$1,165.4 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 2016	2015	Principal activities
Faith Crown Holdings Limited ("Faith Crown")	British Virgin Islands	Ordinary shares of US$1 each	50	50	Investment holding
P&R Holdings Limited ("P&R Holdings")*	British Virgin Islands	Ordinary shares of US$1 each	50	50	Investment holding

The above investments are indirectly held by the Company.

* P&R Holdings is owned by the Group and a wholly owned subsidiary of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company, on a 50:50 basis and is the holding company of subsidiaries primarily involved in the property development projects for sale and/or leasing and the undertaking of related investment and financing activities, including Cosmopolitan International Holdings Limited ("Cosmopolitan"), a listed subsidiary of P&R Holdings.

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

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:

	2016 HK$'million	2015 HK$'million
Faith Crown		
Non-current assets	**45.5**	1,190.8
Current assets	**–**	17.8
Current liabilities	**(40.6)**	(40.6)
Net assets	**4.9**	1,168.0
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture and carrying amount of the investment	**2.4**	584.0
Interest income, profit for the year and total comprehensive income for the year	**46.0**	59.5
Dividend received by the Group from Faith Crown	**604.6**	29.8

	2016 HK$'million	2015 HK$'million
P&R Holdings and its subsidiaries		
Non-current assets	**5,310.8**	4,173.5
Cash and cash equivalents	**911.9**	587.7
Other current assets	**8,768.6**	8,130.4
Current assets	**9,680.5**	8,718.1
Financial liabilities, excluding trade and other payables	**(1,251.8)**	(3,609.9)
Other current liabilities	**(2,638.9)**	(794.6)
Current liabilities	**(3,890.7)**	(4,404.5)
Non-current financial liabilities, excluding trade and other payables	**(8,607.9)**	(6,219.4)
Other non-current liabilities	**(455.6)**	(427.6)
Non-current liabilities	**(9,063.5)**	(6,647.0)
Net assets	**2,037.1**	1,840.1
Net assets attributable to equity holders of the parent	**1,804.5**	1,534.1
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	**902.3**	767.0
Unrealised interest income eliminated	**(182.3)**	(121.9)
Unrealised fair value loss eliminated	**2.5**	0.2
Loans to the joint venture	**2,391.5**	2,079.4
Amount due from the joint venture	**30.4**	18.9
Carrying amount of the investment	**3,144.4**	2,743.6
Revenue	**155.9**	417.0
Interest income	**11.3**	9.9
Depreciation	**(12.7)**	(4.5)
Interest expenses	**(107.9)**	(119.2)
Income tax	**0.2**	0.2
Profit/(loss) for the year	**386.7**	(87.0)
Other comprehensive loss for the year	**(136.8)**	(143.7)
Total comprehensive income/(loss) for the year	**249.9**	(230.7)

At 31st December, 2016, the Group's share of maximum capital commitment as agreed for P&R Holdings in respect of its property development projects amounted to HK$3,700.0 million (2015 - HK$2,800.0 million) (the "P&R Capital Commitment"). At 31st December, 2016, shareholder's loans in an aggregate amount of HK$501.4 million (2015 - HK$501.4 million) have been contributed, none of which (2015 - Nil) has been provided under the P&R Capital Commitment. In addition, a total amount of HK$2,579.4 million (2015 - HK$3,123.5 million) has been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries of P&R Holdings, of which HK$2,553.4 million (2015 - HK$2,800.0 million) has been provided under the P&R Capital Commitment.

In addition, three (2015 - three) loan facilities totalling HK$2,212.6 million (2015 - HK$2,212.6 million) have been granted to P&R Holdings, of which HK$1,890.1 million (2015 - HK$1,578.0 million) has been utilised, which bear interest at fixed rates of 4% to 5% per annum (2015 - 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:

	2016 HK$'million	2015 HK$'million
Contracted, but not provided for	**1,299.9**	1,361.7

16. INVESTMENTS IN ASSOCIATES

	2016 HK$'million	2015 HK$'million
Share of net assets/(net liabilities)	**(63.9)**	61.8
Amounts due from associates	**70.4**	63.3
	6.5	125.1

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 2016	2015	Principal activities
8D Matrix Limited ("8D Matrix")	British Virgin Islands	HK$2,000,000	36.0[(1)]	36.0[(1)]	Investment holding
8D International Limited#	Hong Kong	HK$500,000	36.0[(1)]	36.0[(1)]	Advertising and promotion
Century Innovative Technology Limited#	Hong Kong	HK$1	36.0[(1)]	36.0[(1)]	Development and distribution of edutainment products
深圳市世紀創意科技有限公司#*	PRC/ Mainland China	RMB63,000,000	36.0[(1)]	36.0[(1)]	Development and distribution of edutainment products
Yieldtop Holdings Limited ("Yieldtop")	British Virgin Islands	US$100	50.0	50.0	Investment holding
Hang Fok Properties Limited ("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.

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

The above associates are indirectly held by the Company.

8D Matrix and Yieldtop were 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 were mainly engaged in the property development in the PRC.

During the year ended 31st December, 2016, dividend of HK$110.0 million was distributed by Yieldtop to the Group. In the opinion of the Directors, Yieldtop and its subsidiaries became inactive thereafter and Yieldtop is no longer considered as a material associate of the Group.

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:

	2016 HK$'million	2015 HK$'million
8D Matrix and its subsidiaries		
Non-current assets	**3.6**	4.6
Current assets	**27.6**	16.0
Current liabilities	**(5.3)**	(3.4)
Non-current liabilities	**(191.9)**	(149.9)
	(166.0)	(132.7)
Non-controlling interests	**(0.2)**	(0.2)
Net liabilities attributable to equity holders of the parent	**(166.2)**	(132.9)
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net liabilities of the associate	**(49.9)**	(39.9)
Amount due from the associate	**57.6**	45.0
Carrying amount of the investment	**7.7**	5.1
Revenue	**12.3**	13.8
Loss for the year	**(33.0)**	(51.8)
Other comprehensive loss for the year	**(0.3)**	(0.4)
Total comprehensive loss for the year	**(33.3)**	(52.2)

	2015 HK$'million
Yieldtop and its subsidiaries	
Current assets	232.6
Current liabilities	(11.2)
Non-current liabilities	(6.5)
Net assets	214.9
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	50%
Group's share of net assets of the associate	107.5
Amount due from the associate	3.1
Carrying amount of the investment	110.6
Other income	0.1
Income tax	–
Loss for the year and total comprehensive loss for the year	(7.0)

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

	2016 HK$'million	2015 HK$'million
Share of the associates' losses for the year	**(2.5)**	(3.2)
Share of the associates' other comprehensive losses for the year	**–**	–
Share of the associates' total comprehensive losses for the year	**(2.5)**	(3.2)
Aggregate carrying amount of the Group's investments in the associates	**(1.2)**	9.4

17. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'million	2015 HK$'million
Unlisted equity investments, at fair value	**211.6**	129.5
Unlisted equity investments, at cost	**25.0**	3.9
	236.6	133.4

During the year, the net losses in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$4.8 million (2015 - net gains of HK$22.1 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, 2016, unlisted equity investments with a carrying amount of HK$25.0 million (2015 - HK$3.9 million) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of these investments in the near future.

As at 31st December, 2016, the Group's unlisted equity investments with a carrying value of HK$16.3 million (2015 - HK$17.4 million) were pledged to secure banking facilities granted to the Group.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'million	2015 HK$'million
Non-current asset:		
Structured deposit, at fair value	**1.9**	1.9
Current assets:		
Listed equity investments, at market value	**393.9**	576.8
Listed debt investments, at market value	**524.5**	218.8
	918.4	795.6
	920.3	797.5

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, 2016 and 2015 were classified as held for trading.

At 31st December, 2016, certain of the Group's financial assets at fair value through profit or loss with a carrying value of HK$172.8 million (2015 – HK$63.5 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, 2016, certain of the Group's financial assets at fair value through profit or loss with a carrying value of HK$191.7 million (2015 - HK$104.0 million) were pledged to secure banking facilities granted to the Group.

19. OTHER LOAN

The amounts included under non-current assets and current assets represent a term loan and a revolving loan respectively, granted by the Group to the Cosmopolitan group during the year. The total loan facilities amount to HK$1,850.0 million ("Loan Facilities") which bear interest at 5% per annum and have a term of five years maturing in 2021. They are secured by a pledge over the equity interests of the holding companies of certain property development projects owned by the Cosmopolitan group in the PRC.

Pursuant to the relevant agreements between the Group and the Cosmopolitan group, which became unconditional in October 2016, the Loan Facilities were fully drawn down and the loan proceeds, together with proceeds from the issue of certain convertible bonds by the Cosmopolitan group to P&R Holdings group, were used to fully repay the consideration payables owed by the Cosmopolitan group to the Group and P&R Holdings group in relation to its acquisition of certain property development projects from the Group and P&R Holdings group in 2013.

20. FINANCE LEASE RECEIVABLES

The Group has leased out certain aircraft under finance lease arrangements, with remaining lease terms ranging from 1 to 2 years.

	Minimum lease payments		Present value of minimum lease payments	
	2016 HK$'million	**2015 HK$'million**	**2016 HK$'million**	**2015 HK$'million**
Finance lease receivables comprise:				
Within one year	**41.1**	–	**36.3**	–
In the second to fifth years, inclusive	**38.7**	–	**36.8**	–
	79.8	–	**73.1**	–
Less: unearned finance income	**(6.7)**	–		
Total net finance lease receivables	**73.1**	–		

	2016 HK$'million	**2015 HK$'million**
Analysed for reporting purposes as:		
Current assets	**36.3**	–
Non-current assets	**36.8**	–
	73.1	–

The Group's finance lease receivables are denominated in United States dollars ("USD"), which is the functional currency of the relevant group entity.

Unguaranteed residual value of assets leased under finance leases at the end of the reporting period is Nil (2015 - Nil).

21. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$138.6 million (2015 - HK$1,518.3 million) representing the trade debtors of the Group.

	2016 HK$'million	2015 HK$'million
Trade debtors	**140.3**	1,520.6
Impairment	**(1.7)**	(2.3)
	138.6	1,518.3

Credit terms

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

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

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

	2016 HK$'million	2015 HK$'million
Outstanding balances with ages:		
Within 3 months	**118.4**	125.7
Between 4 to 6 months	**3.2**	6.0
Between 7 to 12 months	**5.2**	5.3
Over 1 year	**13.5**	1,383.6
	140.3	1,520.6
Impairment	**(1.7)**	(2.3)
	138.6	1,518.3

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

	2016 HK$'million	2015 HK$'million
At 1st January	**2.3**	2.3
Amount written off as uncollectible	**(0.6)**	–
At 31st December	**1.7**	2.3

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK$1.7 million (2015 - HK$2.3 million) with a gross carrying amount before provision of HK$1.7 million (2015 - 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:

	2016 HK$'million	2015 HK$'million
Neither past due nor impaired	**86.5**	1,454.5
Within 3 months past due	**32.0**	44.3
4 to 6 months past due	**3.1**	6.4
7 to 12 months past due	**5.3**	4.5
Over 1 year past due	**11.7**	8.6
	138.6	1,518.3

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$23.7 million (2015 - HK$1,396.8 million).

22. PROPERTIES HELD FOR SALE

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

23. INVENTORIES

	2016 HK$'million	2015 HK$'million
Hotel and other merchandise	**33.0**	33.9

24. HELD-TO-MATURITY INVESTMENTS

At 31st December, 2016, 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 3.4% to 7.1% per annum (2015 - 3.1% to 3.4% per annum), except for an amount of HK$200.0 million (2015 - Nil) which was denominated in Hong Kong dollars with fixed interest rate of 1.0% per annum.

At 31st December, 2016, the Group's held-to-maturity investments with a carrying amount of HK$194.6 million (2015 - HK$201.2 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 held-to-maturity investments with a carrying amount of HK$272.1 million (2015 - Nil) were pledged to secure banking facilities granted to the Group.

25. RESTRICTED CASH

At 31st December, 2016, the Group had approximately HK$63.5 million (2015 - HK$46.4 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.

26. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

Included in the balance is an amount of HK$79.0 million (2015 - HK$76.4 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:

	2016 HK$'million	2015 HK$'million
Outstanding balances with ages:		
Within 3 months	**78.7**	76.3
Between 4 to 6 months	**0.2**	–
Over 1 year	**0.1**	0.1
	79.0	76.4

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

Included in the creditors, deposits received and accruals are amounts due to an associate, a joint venture and fellow subsidiaries of HK$1.5 million (2015 - HK$1.4 million), HK$22.8 million (2015 - Nil) and HK$21.8 million (2015 - HK$2.7 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

27. INTEREST BEARING BANK BORROWINGS

	2016 Maturity	2016 HK$'million	2015 Maturity	2015 HK$'million
Current				
Bank loans – secured	**2017**	**188.0**	2016	279.9
Non-current				
Bank loans – secured	**2019-2021**	**6,170.7**	2018-2019	6,187.0
		6,358.7		6,466.9

	2016 HK$'million	2015 HK$'million
Analysed into:		
Bank loans repayable:		
Within one year	**188.0**	279.9
In the third to fifth years, inclusive	**6,170.7**	6,187.0
	6,358.7	6,466.9

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 was secured by three of the five initial Regal Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel.

On 12th September, 2016, Regal REIT group entered into a new facility agreement for a term loan facility of HK$4,500.0 million and a revolving loan facility of up to HK$1,000.0 million (the "2016 IH Facilities"), for a term of five years to September 2021. The term loan portion of the 2016 IH Facilities was wholly drawn in September 2016 to repay the 2013 IH Facilities of the same amount, which was originally due to mature in July 2018 and bore a higher interest margin; while the revolving loan portion will be used for general corporate funding purposes of Regal REIT. Moreover, the 2016 IH Facilities are secured by four of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. As at 31st December, 2016, the 2016 IH Facilities had an outstanding term loan facility of HK$4,500.0 million and outstanding revolving loan of HK$170.0 million.

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 in December 2014. As at 31st December, 2016, 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, 2016, the utilised 2014 SW Facilities was HK$632.0 million, representing the full amount of the term loan facility.

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, 2016, the utilised 2014 FH Facilities was HK$660.0 million, representing the full amount of the term loan facility.

As at 31st December, 2016, the outstanding loan facilities of Regal REIT group bear interest at the Hong Kong Interbank Offered Rates ("HIBOR") plus an interest margin ranging from 1.15% to 1.45% per annum (2015 - ranging from 1.4% to 1.62% per annum).

Bank borrowings under the 2013 IH Facilities, the 2016 1H 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, 2016, the Group's other bank borrowing bears interest at the bank's cost of fund plus 0.75% per annum and is denominated in Euro.

As at 31st December, 2015, the Group's other bank borrowings bore interest at HIBOR plus 1.5% per annum except for a bank loan of HK$18.5 million, which bore interest at the bank's cost of fund plus 0.75% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for a bank loan of HK$18.5 million which was denominated in Euro.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 37 to the financial statements.

28. OTHER BORROWINGS

	2016 HK$'million	2015 HK$'million
Current		
Other borrowings - unsecured	**2,281.7**	–
Non-Current		
Other borrowings - unsecured	**4,621.3**	4,241.9
	6,903.0	4,241.9

	2016 HK$'million	2015 HK$'million
Analysed into:		
Other borrowings repayable:		
Within one year	**2,281.7**	–
In the second year	**1,933.3**	2,312.6
In the third to fifth years, inclusive	**2,688.0**	1,929.3
	6,903.0	4,241.9

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

On 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 20th July, 2016, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US$350.0 million at a coupon interest rate of 3.875% per annum. The notes were issued at a discount at 99.663% of the principal amount.

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 an 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.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	ASSETS	
	2016	**2015**
	HK$'million	**HK$'million**
Foreign currency forward contracts	**12.8**	4.7

	LIABILITIES	
	2016	**2015**
	HK$'million	**HK$'million**
Foreign currency forward contracts	**5.7**	–

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 net fair value gain on non-hedging foreign currency option and forward contracts of HK$7.1 million was credited to the statement of profit or loss during the year (2015 - HK$4.7 million).

30. 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, 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 and at 1st January, 2016	(996.3)	2.2	81.2	(12.8)	(925.7)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	50.3	(0.3)	14.5	0.1	64.6
Exchange differences	–	–	–	0.5	0.5
Gross deferred tax assets/(liabilities) at 31st December, 2016	(946.0)	1.9	95.7	(12.2)	(860.6)

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:

	2016 HK$'million	2015 HK$'million
Net deferred tax assets recognised in the consolidated statement of financial position	**94.0**	79.1
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(954.6)**	(1,004.8)
	(860.6)	(925.7)

The Group has unrecognised tax losses arising in Hong Kong amounting to HK$3,026.2 million (2015 - HK$2,950.6 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$499.3 million (2015 - HK$486.8 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, 2016, 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$19.2 million at 31st December, 2016 (2015 - HK$16.7 million).

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

31. SHARE CAPITAL AND SHARE PREMIUM

	2016 HK$'million	2015 HK$'million
Shares		
Authorised:		
2,000.0 million (2015 - 2,000.0 million) ordinary shares of HK$0.10 each	**200.0**	200.0
0.1 million (2015 - 0.1 million) 5¼% convertible cumulative redeemable preference shares of US$10 each	**1.3**	1.3
	201.3	201.3
Issued and fully paid:		
916.1 million (2015 - 924.1 million) ordinary shares of HK$0.10 each	**91.6**	92.4
Share premium		
Ordinary shares	**520.1**	554.0

A summary of the movements in the Company's share capital and share premium account during the years ended 31st December, 2016 and 2015 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
Ordinary shares					
At 1st January, 2015, 31st December, 2015, 1st January, 2016	2,000.0	200.0	924.1	92.4	554.0
Repurchase and cancellation of ordinary shares (note)	–	–	(8.0)	(0.8)	(33.9)
At 31st December, 2016	2,000.0	200.0	916.1	91.6	520.1
5¼% convertible cumulative redeemable preference shares of US$10 each					
At 1st January, 2015, 31st December, 2015, 1st January, 2016 and 31st December, 2016	0.1	1.3	–	–	–
Total share capital					
At 31st December, 2016		**201.3**		**91.6**	**520.1**
At 31st December, 2015		201.3		92.4	554.0

Note:

All ordinary shares repurchased during the year ended 31st December, 2016 were cancelled during the 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$33.9 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.

32. 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.

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:

	2016	2015
Percentage of equity interest held by non-controlling interests of Regal REIT	**25.42%**	25.42%

	2016 HK$'million	2015 HK$'million
Profit for the year allocated to non-controlling interests of the Regal REIT group	**26.1**	39.9
Dividends paid to non-controlling interests of the Regal REIT group	**127.5**	134.1
Accumulated balances of non-controlling interests of the Regal REIT group at the reporting date	**1,044.0**	1,145.4

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

	2016 HK$'million	2015 HK$'million
Revenue	**973.5**	1,001.7
Profit for the year, before distributions to unitholders	**102.7**	156.8
Total comprehensive income for the year, before distributions to unitholders	**102.7**	157.5
Non-current assets	**15,022.8**	15,411.5
Current assets	**155.3**	118.4
Current liabilities	**(330.3)**	(220.9)
Non-current liabilities	**(9,048.7)**	(9,111.0)
Net cash flows from operating activities	**556.4**	600.6
Net cash flows used in investing activities	**(78.5)**	(107.0)
Net cash flows used in financing activities	**(456.6)**	(515.5)
Net increase/(decrease) in cash and cash equivalents	**21.3**	(21.9)

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$423.4 million (2015 - HK$216.4 million) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

(b) Major non-cash transactions

	2016 HK$'million	2015 HK$'million
Security deposits, maintenance liabilities and other liabilities assumed in purchases of aircraft	–	158.8
Security deposits and maintenance liabilities settled upon disposals of aircraft	27.9	49.8
Finance lease receivables recognised upon the entering into of certain finance leases of aircraft	87.8	–

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	2016 HK$'million	2015 HK$'million
Fellow subsidiaries:			
Management fees	(i)	37.2	34.9
Development consultancy fees	(ii)	1.5	4.5
Service fees in respect of security systems and products and other software	(iii)	1.1	1.2
Repairs and maintenance fees and construction fees	(iv)	0.3	0.5
An associate:			
Advertising and promotion fees (including cost reimbursements)	(v)	6.2	12.5
A joint venture:			
Gross interest income	(vi)	130.2	140.4

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 (2015 - 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 (2015 - 5% per annum). In addition, it includes interest income earned by the Group on the loan facilities granted to the Cosmopolitan group at 5% per annum as detailed in note 19 to the financial statements.

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	2016 HK$'million	2015 HK$'million
Due from fellow subsidiaries	(i)	**23.7**	1,396.8
Due to a joint venture	(ii)	**(22.8)**	–
Due to an associate	(ii)	**(1.5)**	(1.4)
Due to fellow subsidiaries	(ii)	**(21.8)**	(2.7)
Loans to a joint venture	(iii)	**2,391.5**	2,079.4
Due from a joint venture	(iii)	**30.4**	18.9
Due from associates	(iv)	**70.4**	63.3
Other loan	(v)	**1,850.0**	–

Notes:

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

(ii) Details of the amounts due to a joint venture, an associate and fellow subsidiaries are included in "Creditors, deposits received and accruals" in note 26 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.

(v) Details of the other loan are included in note 19 to the financial statements.

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

	2016 HK$'million	2015 HK$'million
Short term employee benefits	**27.9**	27.6
Staff retirement scheme contributions	**1.6**	1.5
Total compensation paid to key management personnel	**29.5**	29.1

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 note 35(a)(vi) above were contemplated under transactions (the "Transactions") which constituted connected transactions to the Company subject to the Relevant Requirements. The Relevant Requirements with respect to the Transactions had been complied with.

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

36. PLEDGE OF ASSETS

As at 31st December, 2016, certain of the Group's time deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK$413.8 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, and certain of the Group's property, plant and equipment, investment properties, 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$12,272.4 million were also pledged to secure other banking facilities granted to the Group.

As at 31st December, 2015, certain of the Group's time 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 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 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:

	2016 **HK$'million**	**2015** **HK$'million**
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture	**2,579.4**	3,123.5

At 31st December, 2016, 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$1,566.8 million (2015 - HK$1,540.1 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 1 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, 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 HK$'million	2015 HK$'million
Within one year	**61.2**	142.1
In the second to fifth years, inclusive	**43.1**	131.7
	104.3	273.8

(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, 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 HK$'million	2015 HK$'million
Land and buildings:		
Within one year	**12.2**	11.6
In the second to fifth years, inclusive	**1.9**	3.6
After five years	**–**	0.2
	14.1	15.4
Other equipment:		
Within one year	**0.4**	0.4
In the second to fifth years, inclusive	**0.9**	1.3
	1.3	1.7
	15.4	17.1

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:

	2016 HK$'million	2015 HK$'million
Contracted, but not provided for:		
Property development project	**536.7**	–

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:

2016

Financial assets

	Financial assets at fair value through profit or loss					
	- 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$'million	Total HK$'million
Other loan (note 19)	–	–	–	1,850.0	–	1,850.0
Trade debtors (note 21)	–	–	–	138.6	–	138.6
Other financial assets included in debtors, deposits and prepayments	–	–	–	124.7	`	124.7
Finance lease receivables (note 20)	–	–	–	73.1	–	73.1
Financial assets at fair value through profit or loss (note 18)	1.9	918.4	–	–	–	920.3
Derivative financial instruments (note 29)	–	12.8	–	–	–	12.8
Available-for-sale investments (note 17)	–	–	236.6	–	–	236.6
Held-to-maturity investments	–	–	–	–	466.7	466.7
Restricted cash	–	–	–	63.5	–	63.5
Pledged time deposits and bank balances	–	–	–	265.1	–	265.1
Time deposits	–	–	–	2,595.1	–	2,595.1
Cash and bank balances	–	–	–	1,105.6	–	1,105.6
	1.9	931.2	236.6	6,215.7	466.7	7,852.1

Financial liabilities

	Financial liabilities at fair value through profit or loss held for trading HK$'million	Financial liabilities at amortised cost HK$'million	Total HK$'million
Trade creditors (note 26)	–	79.0	79.0
Other financial liabilities included in creditors, deposits received and accruals	–	407.0	407.0
Amount due to a joint venture	–	22.8	22.8
Derivative financial instruments (note 29)	5.7	–	5.7
Interest bearing bank borrowings (note 27)	–	6,358.7	6,358.7
Other borrowings (note 28)	–	6,903.0	6,903.0
	5.7	13,770.5	13,776.2

2015

Financial assets

	Financial assets at fair value through profit or loss					
	- 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$'million	Total HK$'million
Trade debtors (note 21)	–	–	–	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 29)	–	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
	1.9	800.3	133.4	3,199.0	201.2	4,335.8

Financial liabilities

	Financial liabilities at amortised cost HK$'million
Trade creditors (note 26)	76.4
Other financial liabilities included in creditors, deposits received and accruals	375.4
Interest bearing bank borrowings (note 27)	6,466.9
Other borrowings (note 28)	4,241.9
	11,160.6

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, 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Available-for-sale investments:				
Unlisted equity investments	–	–	211.6	211.6
Financial assets at fair value through profit or loss:				
Listed equity investments	378.5	15.4	–	393.9
Listed debt investments	–	524.5	–	524.5
Structured deposit	–	1.9	–	1.9
Derivative financial instruments	–	12.8	–	12.8
	378.5	554.6	211.6	1,144.7

Assets measured at fair value as at 31st December, 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
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
	560.1	242.1	129.5	931.7

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

	2016 HK$'million	2015 HK$'million
Available-for-sale investments – unlisted:		
At 1st January	**129.5**	106.8
Purchases	**86.9**	0.6
Total gains/(losses) recognised in other comprehensive income	**(4.8)**	22.1
At 31st December	**211.6**	129.5

Liabilities measured at fair value as at 31st December, 2016

Liabilities measured at fair value as at 31st December, 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'million	Significant observable inputs (Level 2) HK$'million	Significant unobservable inputs (Level 3) HK$'million	Total HK$'million
Derivative financial instruments	–	5.7	–	5.7

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

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 (2015 - 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 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, other loan, finance lease receivables, 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 27 to the financial statements. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

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. 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$64.0 million (2015 - HK$64.9 million). A 10 basis point decrease in interest rates would have increased the Group's profit before tax for the current year by HK$6.4 million (2015 - HK$6.5 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, finance lease receivables 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 21 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. 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:

	2016		
	Within 1 year or on demand HK$'million	1 to 5 years HK$'million	Total HK$'million
Interest bearing bank borrowings	311.3	6,604.1	6,915.4
Other borrowings	2,502.4	5,098.2	7,600.6
Trade creditors	79.0	–	79.0
Other financial liabilities included in creditors, deposits received and accruals	294.3	112.8	407.1
Derivative financial instruments	5.7	–	5.7
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture	1,566.8	–	1,566.8
	4,759.5	11,815.1	16,574.6

	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
	2,399.2	11,046.3	13,445.5

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 every 5% change in the fair values of the equity investments that are carried at fair value, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. 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
2016			
Listed investments:			
– Held for trading	**393.9**	**19.7**	**–**
Unlisted investments at fair value:			
– Available-for-sale	**211.6**	**–**	**10.6**
2015			
Listed investments:			
– Held for trading	576.8	28.8	–
Unlisted investments at fair value:			
– Available-for-sale	129.5	–	6.5

* 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, 2016 and 31st December, 2015.

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:

	2016 HK$'million	2015 HK$'million
Interest bearing bank borrowings and other borrowings	**13,261.7**	10,708.8
Less: Cash, bank balances and deposits	**(4,029.3)**	(1,573.2)
Net debt	**9,232.4**	9,135.6
Total assets	**27,799.4**	25,342.6
Net debt to total assets ratio	**33.2%**	36.0%

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2016 HK$'million	2015 HK$'million
NON-CURRENT ASSETS		
Investments in subsidiaries	**6,089.8**	6,251.4
CURRENT ASSETS		
Prepayments	**0.3**	0.2
Cash and bank balances	**1.7**	1.2
Total current assets	**2.0**	1.4
CURRENT LIABILITIES		
Creditors and accruals	**(5.0)**	(4.8)
NET CURRENT LIABILITIES	**(3.0)**	(3.4)
Net assets	**6,086.8**	6,248.0
EQUITY		
Issued capital	**91.6**	92.4
Reserves (note)	**5,995.2**	6,155.6
Total equity	**6,086.8**	6,248.0

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, 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 and at 1st January, 2016	554.0	15.2	5,586.4	6,155.6
Repurchase and cancellation of ordinary shares	(33.9)	0.8	(0.8)	(33.9)
Loss for the year	–	–	(6.6)	(6.6)
Final 2015 dividend declared	–	–	(83.2)	(83.2)
Interim 2016 dividend	–	–	(36.7)	(36.7)
At 31st December, 2016	520.1	16.0	5,459.1	5,995.2

44. EVENT AFTER THE REPORTING PERIOD

In February 2017, the tender offer submitted by Capital Charm Holdings Limited ("Capital Charm", a wholly-owned subsidiary of the Group) was accepted by the Airport Authority and Capital Charm was awarded the contract for the development of a new hotel project located at SKYCITY at Hong Kong International Airport. The consideration (representing the non-refundable rental payment) payable by Capital Charm to the Airport Authority is approximately HK$2,188.9 million which shall be payable on or before 3rd April, 2017.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27th March, 2017.

EY 安永

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

Opinion

We have audited the consolidated financial statements of Regal Hotels International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 72 to 166, which comprise the consolidated statement of financial position as at 31st December, 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in joint ventures	
As at 31st December, 2016, the carrying amount of the investments in joint ventures of HK$3,146.8 million represented approximately 24% of the Group's net assets. The joint ventures were stated at cost less impairment at each of the reporting dates. The impairment assessment of investments in joint ventures is significant to our audit due to (i) the significance of the carrying amount of the joint ventures as at 31st December, 2016; and (ii) the determination of the recoverable amounts of the joint ventures is dependent on a range of estimates of the recoverable amounts of their underlying assets such as estimated market prices, estimated costs to completion, estimated rental values, estimated future cash flows, discount rates and interest rates. The Group's accounting policies and disclosures on investments in joint ventures are included in notes 2.4 and 15 to the financial statements.	Our audit procedures included, amongst others, an evaluation of the management's impairment assessment of the joint ventures including the underlying property development projects, which were mainly based on discounted cash flow projections prepared by management of the joint ventures or valuation reports prepared by external valuers. Our internal valuation specialists assisted us in evaluating the assumptions, valuation methodologies and parameters adopted in the valuation of the property development projects. In addition, we assessed the objectivity, independence and competence of the external valuers.

Key audit matter	How our audit addressed the key audit matter
Economic useful lives and residual values of property, plant and equipment – aircraft	
The determination of economic useful lives and residual values are significant to our audit as (i) "Aircraft ownership and leasing" represents a separate reportable operating segment of the Group; (ii) significant estimates are involved in the determination of economic useful lives and residual values of aircraft as they are dependent on certain factors, such as physical wear and tear, maintenance, technical or commercial obsolescence, the availability of second hand market and other limits on the use of the aircraft; and (iii) changes in economic useful lives and residual values of aircraft may materially affect the future financial performance of the Group. The Group's accounting policies and disclosures on the economic useful lives and residual values of property, plant and equipment – aircraft are included in notes 2.4 and 3 to the financial statements.	We evaluated management's assessment of economic useful lives and residual values of aircraft by (i) benchmarking the economic useful lives adopted by the Group against the industry practice of aircraft leasing companies; and (ii) comparing the residual value of each individual aircraft to its estimated market value at the end of its respective useful life.
Impairment assessment of property, plant and equipment – hotel properties and aircraft	
The impairment assessment of hotel properties and aircraft is significant to our audit due to (i) the magnitude of the net carrying amount of HK$14,804.8 million and HK$215.7 million respectively as at 31st December, 2016; and (ii) the determination of the recoverable amounts of the hotel properties and aircraft is dependent on a range of estimates such as estimated room rates, estimated occupancy rates, estimated future cash flows, discount rates and interest rates. The Group's accounting policies and disclosures on property, plant and equipment – hotel properties and aircraft are included in notes 2.4 and 13 to the financial statements.	With the assistance of our internal valuation specialists, we evaluated management's impairment assessment of hotel properties by reference to the fair value estimation of the hotel properties performed by an external valuer. In particular, we evaluated the assumptions, valuation methodologies and parameters adopted in the valuation of the hotel properties. In addition, we assessed the objectivity, independence and competence of the external valuer. We evaluated the reasonableness of management's impairment assessment of aircraft by reviewing the parameters (amongst others, estimated rental income, estimated future cash flows, discount rates and interest rates) underlying the discounted cash flow projections on an individual aircraft basis (i.e., the value in use). We also made reference to the market value of the aircraft when their carrying amounts exceed the respective value in use.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants

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

27th March, 2017

Schedule of Principal Properties

As at 31st December, 2016

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 4 remaining houses held - approx. 1,890 sq. m. (20,344 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.) and covered floor area - approx. 6,420 sq. m. (69,120 sq. ft.) (98 guest rooms and suites)	Excavation works for pile caps in progress (schedule of completion to be determined)	50
(3)	Casa Regalia Nos. 66-89 Tan Kwai Tsuen Road, Yuen Long, New Territories, Hong Kong	Residential	Site area for the whole development at Nos. 65-89 Tan Kwai Tsuen Road - approx. 11,192 sq. m. (120,470 sq. ft.) Gross floor area - approx. 7,710 sq. m. (82,990 sq. ft.) (36 houses)	Occupation permit issued in November 2015 Certificate of compliance obtained in April 2016	50
(4)	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.) Gross floor area - approx. 32,474 sq. m. (349,547 sq. ft.) (approx. 136 units, 24 houses and 198 carparking spaces)	Superstructure works in progress (expected to be completed in 2018)	50

As at 31st December, 2016

	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. 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.)	Superstructure works nearing completion (expected to be completed in 4th quarter of 2017)	50
(6)	The Ascent Nos. 83 Shun Ning Road, Sham Shui Po, Kowloon, Hong Kong	Commercial/ residential	Site area - approx. 824.9 sq. m. (8,879 sq. ft.) Gross floor area - approx. 7,159 sq. m. (77,059 sq. ft.) (157 residential units, 2 storeys of shops and 1 storey of basement carpark)	Superstructure works in progress Presale of the residential units launched in July 2016 completed before the end of 2017)	50
(7)	iclub Mong Kok Hotel 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.) Gross floor area - approx. 6,529 sq. m. (70,278 sq. ft.) and covered floor area - approx. 9,355 sq.m (100,697 sq. ft.) (288 guest rooms)	Superstructure works commenced (anticipated to be completed in 2018)	50
(8)	iclub Ma Tau Wai Hotel 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.) and covered floor area - approx. 9,490 sq. m. (102,160 sq. ft.) (340 guest rooms)	Occupation permit issued in November 2016	25

As at 31st December, 2016

	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/office and commercial complex/ residential	Site area for the whole development - approx. 111,869 sq. m. (1,204,148 sq. ft.) Total gross floor area - approx. 497,000 sq. m. (5,350,000 sq. ft.) First stage • a 311-room hotel • 3 residential towers having 339 residential units with car parking spaces and ancillary commercial accommodation (Total gross floor area - approx. 45,500 sq. m. (490,000 sq. ft.)) Stage two • 6 residential towers having 957 units with total gross floor area of approx. 94,500 sq. m. (1,070,200 sq. ft.) Stage three • commercial and office accommodations with total gross floor area of approx. 140,798 sq. m. (1,515,600 sq. ft.) • residential portions with total gross floor area of approx. 175,540 sq.m (1,889,500 sq. ft.)	First stage • Construction works for 3 residential towers expected to be completed before the end of 2017 • Presale of the residential units launched in 2nd quarter of 2016 • Hotel portion planned to be completed in phases from 2018 Stage two • Construction works expected to be completed in the end of 2017 • Presale of the residential units launched in 3rd quarter of 2016	33.76

As at 31st December, 2016

	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. (341,000 sq. ft.) Total gross floor area - approx. 145,000 sq. m. (1,560,000 sq. ft.)	Superstructure works of four residential towers and commercial complex completed Superstructure works of two office towers in progress Presale of the residential units launched in 4th quarter of 2015 Presale of both the residential car parking spaces and commercial portion launched in 3rd quarter of 2016 (Residential towers, commercial complex and residential car parking spaces scheduled to be completed before the end of 2017)	33.76

As at 31st December, 2016

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

As at 31st December, 2016

	Description	Use	Lease	Percentage of interest attributable to the Company
(6)	Regal Riverside Hotel 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong	Hotel	Medium term	74.58
(7)	iclub Wan Chai Hotel Shops A, B and C on G/F, Flat Roof on 3/F, Whole of 5-12/F, 15-23/F and 25-29/F, Eastern and Western Elevations of External Walls, Architectural Feature at Roof Top and Upper Roof, 211 Johnston Road, Wanchai, Hong Kong	Hotel/ commercial	Long term	74.58
(8)	iclub Sheung Wan Hotel 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,				
	2016	**2015**	**2014**	**2013**	**2012**
	HK$'million	**HK$'million**	**HK$'million**	**HK$'million**	**HK$'million**
Revenue	**2,617.1**	2,471.8	2,298.6	3,570.0	2,330.9
Operating profit before depreciation	**987.1**	1,046.3	1,160.4	1,058.3	1,182.3
Depreciation	**(530.3)**	(511.2)	(453.5)	(401.2)	(380.0)
Finance costs	**(395.4)**	(330.3)	(332.6)	(300.2)	(159.8)
Share of profits and losses of:					
Joint ventures	**233.1**	14.2	(20.9)	(5.4)	(5.5)
Associates	**(12.4)**	(22.2)	96.7	(5.7)	(3.9)
Profit before tax	**282.1**	196.8	450.1	345.8	633.1
Income tax	**(41.3)**	(36.9)	6.6	(55.3)	(47.3)
Profit for the year before allocation between equity holders of the parent and non-controlling interests	**240.8**	159.9	456.7	290.5	585.8
Attributable to:					
Equity holders of the parent	**213.7**	119.0	410.3	256.9	536.3
Non-controlling interests	**27.1**	40.9	46.4	33.6	49.5
	240.8	159.9	456.7	290.5	585.8

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	31st December,				
	2016 HK$'million	**2015 HK$'million**	**2014 HK$'million**	**2013 HK$'million**	**2012 HK$'million**
Property, plant and equipment	**15,330.7**	15,875.6	16,052.8	13,704.2	13,845.2
Investment properties	**1,026.0**	1,070.0	1,074.0	947.0	948.0
Investments in joint ventures	**3,146.8**	3,327.6	3,258.5	2,664.5	1,597.3
Investments in associates	**6.5**	125.1	131.1	21.1	27.6
Available-for-sale investments	**236.6**	133.4	106.8	9.1	4.7
Financial assets at fair value through profit or loss	**1.9**	1.9	1.9	–	23.4
Other loan	**1,350.0**	–	–	5.9	18.9
Finance lease receivables	**36.8**	–	–	–	–
Debtors and deposits	**5.4**	5.4	1,390.0	2,344.0	2.3
Deferred tax assets	**94.0**	79.1	62.4	–	–
Current assets	**6,564.7**	4,724.5	3,772.4	4,638.0	5,328.5
Total assets	**27,799.4**	25,342.6	25,849.9	24,333.8	21,795.9
Current liabilities	**(3,035.0)**	(740.3)	(994.0)	(767.5)	(507.6)
Creditors and deposits received	**(135.6)**	(147.0)	(27.8)	(13.9)	(2.5)
Interest bearing bank borrowings	**(6,170.7)**	(6,187.0)	(6,362.1)	(5,171.9)	(4,776.1)
Other borrowings	**(4,621.3)**	(4,241.9)	(4,234.3)	(4,223.5)	(2,293.8)
Derivative financial instruments	**–**	–	–	(4.1)	(2.8)
Deferred tax liabilities	**(954.6)**	(1,004.8)	(1,034.7)	(1,041.1)	(1,065.5)
Total liabilities	**(14,917.2)**	(12,321.0)	(12,652.9)	(11,222.0)	(8,648.3)
Non-controlling interests	**1,053.8**	(1,158.6)	(1,251.8)	(1,336.9)	(1,412.4)

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