



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)



2021 ANNUAL REPORT



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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, JP

(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

Winnie Ng, JP

Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Francis Choi Chee Ming, GBS, JP

Alice Kan Lai Kuen

Japhet Sebastian Law

Winnie Ng, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Alice Kan Lai Kuen

Winnie Ng, JP

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Alice Kan Lai Kuen

Winnie Ng, JP

Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited

Bank of Communications (Hong Kong) Limited

The Bank of East Asia, Limited

Cathay United Bank Company, Limited, Hong Kong Branch

China CITIC Bank International Limited

China Construction Bank Corporation, Hong Kong Branch

China Everbright Bank Co., Ltd., Hong Kong Branch

Chiyu Banking Corporation Limited

Chong Hing Bank Limited

Dah Sing Bank, Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China (Asia) Limited

Nanyang Commercial Bank, Limited

Oversea-Chinese Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

United Overseas Bank Limited, Hong Kong Branch

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited

4th Floor North, Cedar House, 41 Cedar Avenue

Hamilton HM 12, 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

4th Floor North, Cedar House, 41 Cedar Avenue

Hamilton HM 12, 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

Mr. Lo Yuk Sui, aged 77; *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. He 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 42; *Vice Chairman and Managing Director* – Joined the Group in 2000 and appointed to the Board in 2004. Miss Lo has been a Vice Chairman and the Managing Director of the Company since 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor’s Degree in Psychology. Miss Lo is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Dr. Choi Chee Ming (Alias: Francis), GBS, JP, aged 76; *Vice Chairman and Non-Executive Director* – Invited to the Board as Non-Executive Director and elected Vice Chairman in 2004. Dr. Francis 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 (the “PRC”) and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. Dr. Choi is the chairman of Early Light International (Holdings) Limited and has extensive business interests in the manufacturing industry and the property sector. He is the Honorary President of the Toys Manufacturers’ Association of Hong Kong, Honorary President of the Hong Kong Young Industrialists Council and the Court Member of The Hong Kong Polytechnic University, a member of Sun Yat-sen University Advisory Board, the PRC and the Honorary Chairman of the Board of Trustees of Shaoguan University, the PRC.

Ms. Yeung Bik Yiu, Belinda, JP, aged 63; *Executive Director and Chief Operating Officer* – Appointed to the Board in 2002 and designated as the Chief Operating Officer in 2007. Ms. Belinda 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, Ms. Yeung is in charge of the operations of all Regal Hotels in Hong Kong and Mainland China. In addition to her hotel management responsibilities, she is also responsible for the human resources management of the Century City Group. Ms. Yeung is a non-official member of the Business Facilitation Advisory Committee of the Government of Hong Kong, 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.

DIRECTORS' PROFILE (Cont'd)

Mr. Fan Tung, Donald, aged 65; *Executive Director* – Appointed to the Board in 2002. Mr. Donald 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. He 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. Kan Lai Kuen, Alice, aged 67; *Independent Non-Executive Director* – Invited to the Board as Independent Non-Executive Director in 2004. Ms. Alice Kan is also an independent non-executive director of Cosmopolitan. Ms. Kan is a shareholder and a director of BLS Capital Limited. She is a licensed responsible officer of BLS Capital Limited for asset management under the Securities and Futures Ordinance of Hong Kong (the "SFO"). She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of Jolimark Holdings Limited, Shimao Group Holdings Limited and Shimao Services Holdings Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Professor Japhet Sebastian Law, aged 70; *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 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. He was also an independent non-executive director of Beijing Capital International Airport Company Limited, a company listed on the Stock Exchange, and is currently an independent member of the Supervisory Board. 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. Lo Chun To (Alias: Jimmy), aged 48; *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. Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. Mr. Lo joined the Century City Group in 1998. He is primarily involved in overseeing the Cosmopolitan group's property projects in the PRC and, in addition, undertakes responsibilities in the business development of the Century City Group. Mr. Lo is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Mr. Ng Kwai Kai (Alias: Kenneth), aged 67; Executive Director – Joined the Group in 1985 and appointed to the Board in 1998. Mr. Kenneth Ng is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and Cosmopolitan, and a non-executive director of RPML. Mr. Ng is a Chartered Secretary and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group.

Ms. Winnie Ng, JP, aged 58; Independent Non-Executive Director – Invited to the Board as Independent Non-Executive Director in 2018. She is also an independent non-executive director of CCIHL and PHL since 2018. Ms. Ng holds an MBA (Master of Business Administration) from University of Chicago and an MPA (Master of Public Administration) from Harvard University. Ms. Ng has received numerous awards and recognition. In 2019, Ms. Ng received the Outstanding Businesswomen Award and in 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award and China Top Ten Outstanding Women Entrepreneurs. In previous years, she received recognitions as a Woman of Excellence in Hong Kong, one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, Yazhou Zhoukan Young Chinese Entrepreneur Award and was Mason Fellow of Harvard University. Active in public service, Ms. Ng is Director of Po Leung Kuk, Member of Women's Commission, Member of Town Planning Board, Director of CUHK Medical Centre, Advisor of Our Hong Kong Foundation, Council Member of The Better Hong Kong Foundation, and Court Member of The Hong Kong Polytechnic University. She was Chairman of Hospital Governing Committee of Prince of Wales Hospital from 2014 to 2020, Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, Member of Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016, Member of Employees Retraining Board and its Course Vetting Committee Convenor, and Member of Vocational Training Council from 2011 to 2017. Ms. Ng is also a non-executive director of Transport International Holdings Limited, and she was the founder, deputy chairman and a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited). Both companies are listed on the Stock Exchange.

Mr. Wan Tze Wai, Allen, aged 63; Executive Director – Appointed to the Board in 2010. Mr. Allen Wan has been with the Century City Group for over 28 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 40 years of experience in finance and accounting field.

Mr. Wong Chi Keung, aged 67; Independent Non-Executive Director – Invited to the Board as Independent Non-Executive Director in 2004. He is also an independent non-executive director of CCIHL and PHL. Mr. Wong holds a Master's Degree in Business Administration from the University of Adelaide in Australia. Mr. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Chartered Governance Institute and The Chartered Institute of Management Accountants. Mr. Wong is 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 Hotel Group Limited, Asia Standard International Group Limited, Changyou Alliance Group Limited, China Ting Group Holdings Limited, Golden Eagle Retail Group Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 39 years of experience in finance, accounting and management.

CHAIRMAN'S STATEMENT



Dear shareholders,

I have pleasure to present herewith the Annual Report of the Company for the year ended 31st December, 2021.

FINANCIAL RESULTS

For the year ended 31st December, 2021, the Group recorded a consolidated loss attributable to shareholders of HK\$494.4 million, as compared to the loss of HK\$885.9 million recorded for the preceding year.

As mentioned in the announcement on the Group's financial information update published by the Company on 23rd March, 2022, the core hotel businesses of the Group continued to be severely disrupted by the COVID-19 pandemic during the year under review, as there were only very few international and mainland visitors to Hong Kong due to the travel restrictions and quarantine requirements. Nevertheless, the Group has adjusted the operating mode of its hotels in Hong Kong to adapt to this difficult market environment, with some of its hotels operating as quarantine hotels under the Designated Quarantine Hotel Scheme (DQHS) implemented by the Hong Kong Government at different times during the year. Under the adjusted business strategy, the Group's hotel portfolio as a whole managed to generate increased operating profit as compared with 2020, although the quantum is still far below the normal pre-pandemic levels. Moreover, while P&R Holdings Limited, the joint venture 50/50 owned by the Group and Paliburg Holdings Limited, the intermediate listed parent of the Company, had reported a loss in the preceding year, there was profit contribution from P&R Holdings in 2021. Consequently, the net loss attributable to shareholders of the Company for the year under review was substantially lower than that recorded in 2020.

Furthermore, it should be noted that as the Group's hotel properties in Hong Kong are all owned and self-operated by subsidiaries of the Company, they are subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on the Group's hotel portfolio in Hong Kong for the year amounted to HK\$506.2 million which, although not affecting cash flow, have nonetheless adversely impacted the reported results. As a matter of fact, the loss incurred for the year under review can substantially be attributed to these depreciation charges.

Having regard to the material difference between the carrying values of the Group's hotel portfolio in Hong Kong, which are subject to accumulated depreciation charges, and their fair values as at 31st December, 2021, an Adjusted Net Asset Statement is presented in the section headed "Management Discussion and Analysis" in this Annual Report. The statement illustrated, for the purpose of reference, that if all such hotel properties were to be stated in the Group's financial statements at their independent professional market valuations as at 31st December, 2021, the underlying adjusted net asset value of the Company would amount to HK\$22.19 per share.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

Based on a recent publication by the World Bank Group, global growth was estimated to have rebounded by 5.5% in 2021 but is expected to decelerate to 4.1% in 2022. This reflects the continuing concerns over the spread of the COVID-19 variants, the anticipated tapering of fiscal support in major economies and the bottlenecks in the global supply chain. On the other hand, due to the recoveries in demands and the increases in commodity prices, there were rising inflationary pressures in most countries during the year. In China, after attaining an estimated year-on-year increase of 8.1% in its Gross Domestic Product in 2021, its economic growth is also expected to moderate in 2022, amid the lingering effects of the pandemic and the tighter regulations imposed by the central government on various business sectors. As a typical open economy, Hong Kong has always been influenced by the shifting dynamics of the global economic recovery as well as the macro policy adjustments of Mainland China. In 2021, Hong Kong recorded a growth of 6.4% in its GDP as compared to 2020.

CHAIRMAN'S STATEMENT (Cont'd)

Despite the fact that the COVID-19 pandemic was under control in Hong Kong for most part of 2021, the imposition of stringent travel restrictions continued and the number of visitor arrivals in 2021 stayed at an extremely low level. For the whole year of 2021, there were only 91,400 visitors to Hong Kong, including 65,700 visitors from Mainland China, which reflected a decline of 97.6% year-on-year and represented only a minute fraction of the pre-pandemic levels.

Based on the hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories in 2021 was 63.0%, an increase of 17.0 percentage points from 2020, while the industry-wide average room rate dropped by 3.0%, with the average Revenue per Available Room (RevPAR) having overall increased by 32.8% year-on-year.

Faced with the extremely difficult operating environment, the hotel operators in Hong Kong have adapted to an adjusted business strategy during the year to focus on staycation and long stay businesses in the domestic market, while some hotels have joined the DQHS to provide hotel quarantine facilities mostly for returning residents. Accordingly, due to the varied operating structure, the industry averages recorded for 2021 should only serve for general reference and may not be appropriate to be taken for direct comparison against previous operating periods, particularly, those which were pre-COVID.

HOTEL OWNERSHIP

As reported before, the Group has completed the development of its second hotel at the Hong Kong International Airport, the Regala Skycity Hotel, undertaken through a wholly owned subsidiary of the Company under a sublease from the Airport Authority. This 1208-room hotel embraces a wide range of sustainable features in its building design, construction and operation. The hotel licence was issued in November 2021 and the hotel soft opened for business in December 2021.

To support the Hong Kong Government's initiatives against the COVID-19 pandemic, this hotel has been operating as a hotel facility under the Community Isolation Facility Hotel Scheme from 24th February, 2022, as further mentioned below.

The Group owns a historical building located at a prime location in London, the United Kingdom, which is planned to be renovated into a niche urban hotel. The interior design for the renovation works is being finalised and the renovation works are anticipated to commence later this year.

The lessee of the hotel that the Group owns in Barcelona, Spain has been in default on rentals and other payments under the lease since 2020. The Group has commenced legal proceedings against the lessee to enforce its rights under the lease agreement, including recovery of possession.

REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2021, the Group held approximately 74.9% 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, 2021, Regal REIT recorded a consolidated profit before distributions to Unitholders of HK\$577.1 million, as compared to a loss of HK\$2,309.8 million for the financial year 2020. The profit recorded for the year under review included a fair value gain of HK\$309.3 million arising from the increase in the appraised values of Regal REIT's investment property portfolio, after accounting for the additional capital expenditures incurred, while for the comparative year in 2020, a fair value loss of HK\$2,748.0 million was recorded. If the effects of the fair value changes are excluded, the core profit before distributions to Unitholders for 2021 would amount to HK\$267.8 million, as compared to HK\$438.2 million for the preceding year.

Total distributable income for the year under review amounted to HK\$310.8 million, as compared to HK\$491.4 million reported in 2020. The decrease in the total distributable income was mainly attributable to the reduction in the overall rental income due to the adverse impact on the hospitality industry caused by the global COVID-19 pandemic.

Apart from the Regala Skycity Hotel, all the other nine hotels of the Group operating in Hong Kong are owned through Regal REIT, the listed subsidiary of the Company. These nine hotels included the five Regal Hotels and four other hotels operating under the iclub brand. Except for the iclub Wan Chai Hotel that is self-operated by Regal REIT, all the other eight hotels are leased by Regal REIT to a wholly owned subsidiary of the Company for hotel operations.

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong. The average occupancy rate for this hotel in 2021 was 82.0%, as compared to 73.9% in 2020. Over the same comparative period, its average room rate increased by 3.1%, with its average RevPAR consequently improved by 14.4% year-on-year. This hotel generated a modest gross operating profit during the year.

HOTEL OPERATIONS

Favour Link International Limited, a wholly owned subsidiary of the Company, is the lessee operating all the five Regal Hotels and three iclub Hotels under lease from Regal REIT.

To fulfil our corporate social responsibility in supporting the Hong Kong Government's initiatives to combat the pandemic, four of the hotels under lease from Regal REIT, namely, the Regal Airport Hotel, the Regal Oriental Hotel, the iclub Ma Tau Wai Hotel and the iclub Fortress Hill Hotel enrolled in different cycles of the DQHS in 2021. In the meantime, the other hotels within the Group's portfolio continued to operate normal hotel businesses catering to the local market. Therefore, the operating statistics of the Group's hotels highlighted below should bear reference to the changes in the operating mode of certain of these hotels.

During the year, the combined average occupancy rate for the five Regal Hotels was 57.3%, as compared to 37.2% in the prior year. Although their combined average room rate decreased by 12.9%, their average RevPAR on the whole improved by 34.1% year-on-year.

The market rental review for the five Regal Hotels for 2022 was completed in November 2021. The aggregate annual base rent for the five hotels for 2022 was determined to be HK\$475.0 million, which was HK\$15.0 million above the aggregate base rent for 2021, with variable rent continuing to be based on 50% sharing of the excess of their aggregate net property income over the aggregate base rent.

The other three iclub Hotels owned by Regal REIT and leased to Favour link are, respectively, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel. The combined average occupancy rate for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel for the year was 77.7%, which was 5.6 percentage points above the level in 2020. At the same time, their combined average room rate also increased by 6.7%, resulting in a year-on-year growth of 15.1% in their average combined RevPAR.

Same as with the five Regal Hotels, the rental packages for these two iclub Hotels are determined annually by a jointly appointed independent professional property valuer. Under the market rental reviews also concluded in November 2021, the base rent for 2022 for each of these two hotels was determined to be HK\$27.0 million, which is a slight increase of HK\$1.0 million above their respective annual base rents in 2021. Variable rent will continue to be based on 50% sharing of the excess of the net property income over the base rent of each hotel.

CHAIRMAN'S STATEMENT (Cont'd)

The iclub Ma Tau Wai Hotel is still within the initial 5-year fixed rental term that ends in early September 2022. In December 2021, Regal REIT exercised the option granted to it under the existing lease agreement to extend the lease term to 31st December, 2027, with the rentals in the extended term to be based on independent annual market rental reviews. Under the arrangement agreed with P&R Holdings, Favour Link as the lessee of this hotel is entitled to reimbursement from P&R Holdings annually for any deficit between the rental expenses and the net property income from the business operation of the hotel within the initial 5 years of the lease term. This hotel maintained an average occupancy rate of 70.5% in 2021, as compared to 66.1% in 2020. Over the same comparative period, its average achieved room rate increased by 113.3%, with its average RevPAR consequently enhanced by 127.6% year-on-year.

HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Group, is the hotel manager managing all the five Regal Hotels, six iclub Hotels and one Regala Hotel that are operating in Hong Kong. Opened in December 2021, the 1208-room Regala Skycity Hotel is the latest addition to the Group's portfolio.

In Mainland China, Regal Hotels International is presently managing a total of four Regal Hotels, including two in Shanghai, one in Dezhou and one in Xian. Two other hotels to be managed by the Group are under development, which are separately located in Chengdu and Kunshan.

PROPERTIES

As mentioned above, the COVID-19 pandemic was under control in Hong Kong for most part of 2021. Despite the travel restrictions to Hong Kong that remained in place, the overall economy of Hong Kong sustained recovery during the year. Overall unemployment rate in Hong Kong fell from the peak of 7.2% in February to 3.9% towards the end of 2021. The real estate market as a whole was resilient, with prime development sites tendered by the Hong Kong Government during the year actively sought after by property developers. Benefiting from the pent-up demand and the persisting low interest rate environment, the residential property market rebounded strongly, both in terms of the overall transaction volume as well as the transacted price, but the pace of increase has apparently slowed down from the fourth quarter of 2021.

The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R Holdings. The development has a total of 24 garden houses and 136 apartment units, complemented with car parks and club house facilities. Up to 31st December, 2021, a total of 17 garden houses and 46 apartment units have been contracted to be sold at satisfactory prices, out of which, the sale transactions for 8 houses and 27 apartment units have been completed before that date. The sale transactions for the remaining 9 houses and 19 apartment units are scheduled under the terms of the relevant sale and purchase agreements to be completed during the course of the next two years. Due to the outburst of the fifth wave of the pandemic in January this year, the viewing of show units and physical properties at Mount Regalia has been temporarily suspended since February this year. Marketing work for the sale of the remaining unsold units will be resumed after the gathering and social distancing measures are relaxed.

A wholly owned subsidiary of the Group is developing a commercial/residential project, named as "The Queens", at Queen's Road West, Hong Kong. The development has a total of 130 residential units with club house facilities and commercial accommodations. The presale of the first batch of the residential units was first launched in April 2021. Due to the pandemic situation, property viewing activities of this project have also been restricted since February this year. As the occupation permit for this development is now anticipated to be issued in a few months' time, the separate sales office with show flats will be closed from April this year. A new sale programme for the residential units is presently planned to be launched on an existing property basis after the relevant occupation permit has been issued.

The Group is also undertaking, through one of its wholly owned subsidiaries, a commercial/residential redevelopment project at Hai Tan Street in Sham Shui Po. In this respect, the requisite judicial proceedings to consolidate the entire ownership interests in the relevant existing properties are progressing. In the meanwhile, the Group still owns a total of 9 garden houses in Regalia Bay, Stanley, some of which will continue to be disposed of if the prices offered are considered to be satisfactory. In overseas, the Group is also undertaking a renovation for sale property project in Lisbon, Portugal.

Further detailed information on the Group's development projects and properties as well as those undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings Limited, is contained in the section headed "Management Discussion and Analysis" in this Annual Report.

AIRCRAFT OWNERSHIP AND LEASING

At present, the Group owns a fleet of 3 Airbus passenger aircraft. Two of the aircraft are on operating leases with a major international airline operator in Europe, which are running on normal terms. Due to the global coronavirus pandemic, the lessee for the other aircraft has been in payment defaults. The Group took action to terminate the lease in November 2021 and has recovered possession of the aircraft. The Group is working closely with the professional aircraft manager to remarket this aircraft for sale or for re-lease.

OUTLOOK

The global outlook is clouded by various downside risks, including possible renewed outbreaks of the COVID-19 pandemic, the possibility of de-anchored inflation pressures and their potential impact on the interest rates environment and, most recently, the heated geopolitical tensions in Eastern Europe.

In early January this year, the Omicron variant started the fifth wave of the epidemic in Hong Kong and the Hong Kong Government has since introduced increasingly stringent social distancing measures in the local community. Despite these stringent control measures, the local infection numbers during the past two months have continued to soar. These have seriously affected the normal social and economic activities in Hong Kong, and many businesses particularly those in the food and beverage, retail and some services sectors have had to close down temporarily or permanently.

In February 2022, the Hong Kong Government requested the hotel operators in Hong Kong to participate in the Community Isolation Facility (CIF) Hotel Scheme, which aimed to provide in the short term the much needed accommodation to isolate people who were tested positive for COVID-19 but who were asymptomatic or having only mild symptoms. As a close supporter of the Hong Kong Government's anti-epidemic workforce since April 2020, the four hotels that were operating as quarantine hotels under the DQHS and, more recently, the Regala Skycity Hotel and the Regal Kowloon Hotel respectively enrolled to operate as hotels under the CIF Hotel Scheme commencing at different times from mid-February to mid-March 2022, for terms of three months. Due to the change in recent circumstances, some of the hotels contracted under the CIF Hotel Scheme have their usages changed to serve as quarantine hotel facilities or other anti-pandemic purposes designated by the Government under the terms of the relevant contracts.

It is expected that the fifth wave of the epidemic will continue to adversely affect the economy of Hong Kong, at least for the first half of 2022. Under the present circumstances, the plans for the gradual resumption of the international traffic as well as the re-opening of the Mainland border will unavoidably be delayed. Until the fifth wave of the epidemic is well under control and the traffic in and out of Hong Kong can return to normal, the outlooks for the tourist and hospitality industries and, indeed, the overall economy of Hong Kong in the short term cannot be optimistic.

CHAIRMAN'S STATEMENT (Cont'd)

As six hotels within the Group's hotel portfolio are now operating as hotels under the CIF Hotel Scheme, they will generate some steady revenues while the pandemic continues to weigh on the local economy. The Group is hopeful that this fifth wave of the pandemic will soon be over and that the normal social and business activities in Hong Kong will gradually recover from the latter part of this year.

Viewed from a longer term perspective, and with the support from the central government of China, as stated in its 14th Five-Year Plan, Hong Kong should still have plenty of business opportunities through building itself as a center for innovation and technology, a center for cultural and artistic exchanges, a trade center for intellectual property rights as well as its strengthening position as an international aviation hub.

With its solid financial strength and asset base, the Group is confident that it will overcome these challenging times and to regain its profitability once when the tourist market and the overall economic conditions in Hong Kong revive.

DIRECTORS AND STAFF

Finally, I would also like to thank my fellow colleagues on the Board for their contribution over the year and to all management and staff members for their persistent efforts during the past difficult periods.

LO YUK SUI

Chairman

Hong Kong
31st March, 2022

REGALA SKYCITY HOTEL

CHEK LAP KOK • HONG KONG



Regala Skycity Hotel at Chek Lap Kok Lot No. 3, Hong Kong International Airport



Hotel Lobby

REGALA SKYCITY HOTEL

CHEK LAP KOK • HONG KONG



Ballroom - Palladium



Chinese Restaurant - the Jade

REGALA SKYCITY HOTEL

CHEK LAP KOK • HONG KONG



Western Restaurant - Vivace

REGALA SKYCITY HOTEL

CHEK LAP KOK • HONG KONG



All Day Dining Restaurant - Petra



Premier Seaview Room



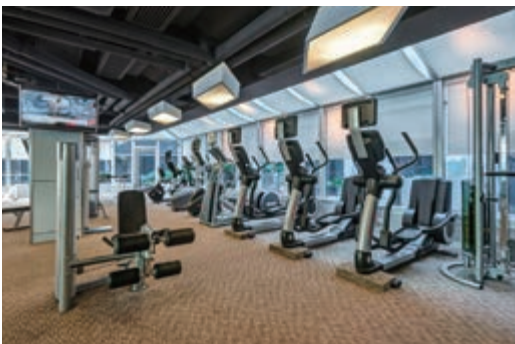
Swimming Pool

REGAL AIRPORT HOTEL

CHEK LAP KOK • HONG KONG



Executive Club Lounge



Gym Room



Suite

REGAL HONGKONG HOTEL

CAUSEWAY BAY • HONG KONG



Café Rivoli



Presidential Suite



Regal Ballroom



REGAL KOWLOON HOTEL

TSIMSHATSUI • HONG KONG



Executive Suite



Café Allegro



Versailles Ballroom

REGAL ORIENTAL HOTEL

KOWLOON CITY • HONG KONG



The China Coast Pub + Restaurant



Communal Lounge



Presidential Suite

REGAL RIVERSIDE HOTEL

SHA TIN • HONG KONG



Communal Lounge



The Garden



Executive Suite

iclub WAN CHAI HOTEL

WAN CHAI • HONG KONG



iSuite Premier



iSelect Premier



iLounge



iclub SHEUNG WAN HOTEL

SHEUNG WAN • HONG KONG



iPlus Premier



iBusiness



iLounge

iclub FORTRESS HILL HOTEL

FORTRESS HILL • HONG KONG



Superior Plus



Sweat Zone

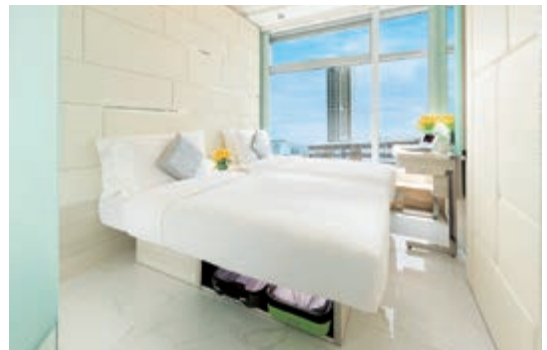


iLounge



iclub MA TAU WAI HOTEL

MA TAU WAI • HONG KONG



Superior Room



Superior Harbour View Room



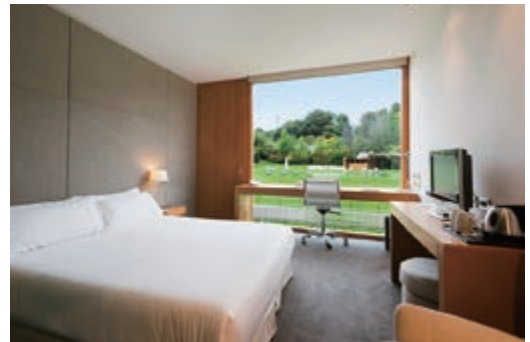
Carpark

CAMPUS LA MOLA

BARCELONA • SPAIN



Swimming Pool



Guest Room



Meeting Room

REGAL JINFENG HOTEL

SHANGHAI • MAINLAND CHINA



iLounge



Deluxe Room



Regal Ballroom

REGAL PLAZA HOTEL & RESIDENCE

SHANGHAI • MAINLAND CHINA



Deluxe Suite



Meeting Room



Forum



REGAL KANGBO HOTEL

DEZHOU • MAINLAND CHINA



Deluxe Room



Forum



Hotel Lobby

REGAL AIRPORT HOTEL, XI'AN

XI'AN • MAINLAND CHINA



Hotel Lobby



Executive Suite



Tiffany Lounge

COMING ADDITIONS



Regal Huaqiao Hotel (#) - Kunshan, Mainland China (*)



The Waterman by Regal (#) - London, the United Kingdom

* Artist impression

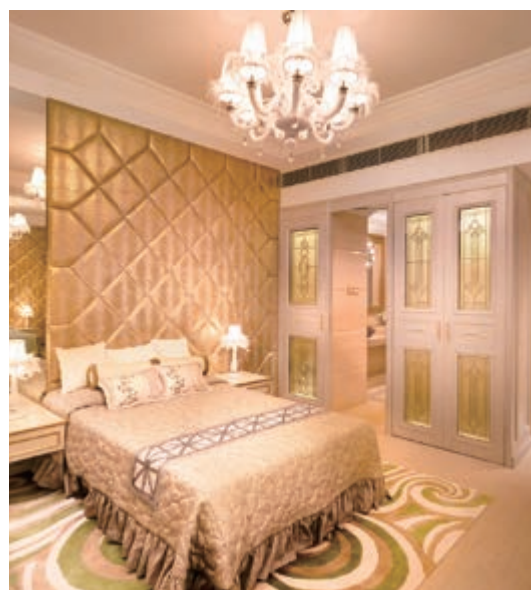
Year of opening pending confirmation

REGALIA BAY

STANLEY • HONG KONG



Club House



Guest Room in a house

THE QUEENS

QUEEN'S ROAD WEST • HONG KONG



Living room of a show flat



Master bedroom of a show flat



Superstructure works in progress



The Queens (*) - a commercial/residential development at No. 160 Queen's Road West, Hong Kong

* Artist impression

JOINT VENTURE DEVELOPMENTS

MOUNT REGALIA

KAU TO • HONG KONG



Mount Regalia, a luxurious residential development at 23 Lai Ping Road, Kau To, Sha Tin, New Territories



Living room of a garden house



Master bedroom of a garden house

CASA REGALIA / DOMUS

TAN KWAI TSUEN ROAD • HONG KONG



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



Clubhouse



Swimming pool

We Go MALL

MA ON SHAN • HONG KONG



We Go MALL, a shopping mall at No. 16 Po Tai Street, Ma On Shan, Sha Tin, New Territories



Easter decorations



Christmas carol singing

iclub MONG KOK HOTEL

TAI KOK TSUI • HONG KONG



Lobby



iLounge



Premier Plus



iclub Mong Kok Hotel at 2 Anchor Street, Tai Kok Tsui, Kowloon, Hong Kong

iclub AMTD SHEUNG WAN HOTEL

SHEUNG WAN • HONG KONG



iclub AMTD Sheung Wan Hotel at No. 5 Bonham Strand West, Sheung Wan, Hong Kong



iResidence Elite



iBusiness Executive



iLounge

COMPOSITE DEVELOPMENT

Chengdu • Mainland China



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



Regal Xindu Hotel, hotel development at Regal Cosmopolitan City



Commercial/office towers of Regal Cosmopolitan City (*)

* Artist impression

COMPOSITE DEVELOPMENT

Tianjin • Mainland China



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



Residential towers and commercial complex of Regal Renaissance - completed



Office towers of Regal Renaissance - superstructure works completed

* Artist impression

OTHER INVESTMENTS

AIRCRAFT OWNERSHIP AND LEASING



Airbus A320-232



Airbus A319

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel ownership business which is principally 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"), aircraft ownership and leasing and other investments including financial assets investments.

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

A brief review on the development projects and properties of the Group, which are all wholly owned by the Group, and those undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings Limited ("Cosmopolitan"), and on the Group's financial assets and other investments is set out below.

Hong Kong

New hotel project at the Hong Kong International Airport, named as "Regala Skycity Hotel"

In February 2017, a wholly owned subsidiary of the Company was awarded by the Airport Authority in Hong Kong the development right for a new hotel project at the Hong Kong International Airport.

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

The occupation permit for this new hotel was issued in March 2021. The hotel has 13 storeys (including one basement floor) with a total of 1,208 guestrooms and suites, complemented with extensive banquet, meeting and food and beverage facilities. This new hotel embraces a wide range of sustainable features in its building design, construction and operation and was awarded Gold Rating under Provisional Assessment of BEAM Plus Certification.

The hotel licence for this hotel was issued in November 2021 and the hotel soft opened for business in December 2021. To support the Hong Kong Government's initiatives against the COVID-19 pandemic, this hotel has been operating as a hotel facility under the Community Isolation Facility Hotel Scheme from 24th February, 2022.

The Queens, No. 160 Queen's Road West, Hong Kong

The project has a combined site area of 682 square metres (7,342 square feet) and is being developed into a commercial/residential development with gross floor area of about 5,826 square metres (62,711 square feet). The project will have a total of 130 residential units with club house facilities on the second floor and commercial accommodations on the ground and first floors. The foundation works have been completed and the superstructure works are in progress. The occupation permit for this project is scheduled to be obtained in the second quarter of 2022.

The presale of the first batch of the residential units was first launched in April 2021. Due to the pandemic situation, property viewing activities of this project have also been restricted since February this year. As the occupation permit for this development is now anticipated to be issued in a few months' time, the separate sales office with show flats will be closed from April 2022. A new sale programme for the residential units is presently planned to be launched on an existing property basis after the relevant occupation permit has been issued.

Nos.227-227C Hai Tan Street, Sham Shui Po, Kowloon

The properties presently comprise 100% ownership interests of Nos.227-227A of Hai Tan Street and interests in over 80% undivided shares of Nos.227B-227C of Hai Tan Street. The properties have a total site area of 431 square metres (4,644 square feet) and are intended for a commercial/residential development. The requisite judicial proceedings to consolidate the entire ownership interests in the relevant properties are progressing.

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

During the year, the Group has contracted to sell 3 garden houses in Regalia Bay at satisfactory prices. As at 31st December, 2021, the Group still retained a total of 9 garden houses in Regalia Bay with total gross area of about 4,178 square metres (44,972 square feet), 3 of which are held as investment properties, 4 as held for sale and 2 as property, plant and equipment and right-of-use assets. The Group will continue to dispose of some of these remaining houses if the prices offered are considered favourable.

Overseas

Campus La Mola, Barcelona, Spain

This hotel property has a total of 186 guestrooms and was acquired by the Group in 2014. The hotel was initially operated by the Group and subsequently leased to an independent third party under a lease agreement in September 2017. The lessee had been in default on rentals and other payments under the lease since 2020, despite certain amount of rental and other payments were recovered during 2021. Legal proceedings have been commenced against the lessee to enforce the owner's rights under the lease agreement, including recovery of possession.

41 Kingsway, London WC2B 6TP, the United Kingdom

This is a freehold historical building located at a prime location in London, acquired by the Group in April 2019. Currently vacant, this iconic property has total 9 storeys (including 1 basement) with a total gross floor area of approximately 2,150 square metres (23,140 square feet).

The rehabilitation plan is to conserve in whole the building's historical heritage and to transform it into a niche urban hotel with a unique fine dining facility. The interior design for the renovation works is being finalised and the renovation works are anticipated to commence later this year. The hotel will be operated by the Group after completion.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

This is a rehabilitation and renovation project of a historical building located in a heritage conservation area of Lisbon, acquired in 2019 by an entity that was 90% owned by the Group. This building has a total gross floor area of about 1,836 square metres (19,768 square feet), comprising residential apartments as well as shops on ground floor. The design and renovation proposals have been approved by the local government authorities and renovation works are underway. There have been some delays due to the pandemic and the project is presently expected to be completed by mid 2022.

During the year under review, the Group acquired the remaining 10% equity interest from the other shareholder and now wholly owns this project. The apartment units and shops are intended to be marketed for sale at appropriate time after completion of the renovation works.

JOINT VENTURE – P&R HOLDINGS LIMITED

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

Further information relating to the property development projects being undertaken and properties owned by the P&R Holdings group in Hong Kong (which, unless otherwise denoted, are all wholly owned by the P&R Holdings group) is set out below:

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

This residential project, which was completed in 2016, has a site area of approximately 11,192 square metres (120,470 square feet) and provides a total of 170 units, comprising 36 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).

All the units in the apartment block, named Domus, had been sold. The garden houses comprised within this development are named as Casa Regalia. At present, 8 houses in Casa Regalia are still being retained, which are planned to be disposed of on a gradual basis but some of them may in the meantime be retained for rental income.

We Go MALL, No.16 Po Tai Street, Ma On Shan, Sha Tin, New Territories

This development has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. This shopping mall was opened for business in 2018 and is held for rental income. Although the rental rates on new leaseings and lease renewals during the year have been affected by the adverse impact brought about by the pandemic, the overall leasing status of this shopping mall remained stable.

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

This is a joint venture project undertaken pursuant to a tender award by the Urban Renewal Authority of Hong Kong in 2014. The land has a site area of 824.9 square metres (8,879 square feet) and has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement car parks. The project was completed in 2018. While all the residential units have already been disposed of, up to 31st December, 2021, 2 shops, 5 car parks and all the parking spaces for motorcycles have also been sold. The remaining shops and car parks will continue to be marketed for sale.

Mount Regalia, 23 Lai Ping Road, Kau To, Sha Tin, New Territories

The project has a site area of 17,476 square metres (188,100 square feet) which has been developed into a luxury residential complex comprising 7 mid-rise apartment blocks with 136 units, 24 detached garden houses and 197 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The occupation permit was issued in September 2018 and the certificate of compliance in February 2019.

This development received eight international awards including winner of Luxury Lifestyle Awards as Best Luxury Residential Development and Best Luxury Sustainable Residential Development in Hong Kong in 2021 as well as for the superb interior designs of certain of its show houses and apartment units.

Up to 31st December, 2021, a total of 17 garden houses and 46 apartment units have been contracted to be sold at satisfactory prices (total sale price HK\$3,687.4 million), out of which, the sale transactions for 8 houses and 27 apartment units (total sale price HK\$2,016.5 million) have been completed before that date. The sale transactions for the remaining 9 houses and 19 apartment units (total sale price HK\$1,670.9 million) are scheduled under the terms of the relevant sale and purchase agreements to be completed during the course of the next two years. Due to the outburst of the fifth wave of the pandemic in January this year, the viewing of the show units and physical properties at Mount Regalia has been temporarily suspended since February this year. Marketing work for the sale of the remaining unsold units, comprising 7 houses and 90 apartment units, will be resumed after the gathering and social distancing measures are relaxed.

iclub Mong Kok Hotel, 2 Anchor Street, Tai Kok Tsui, Kowloon

This is a hotel development project undertaken through a tender award by the Urban Renewal Authority of Hong Kong in 2015. The project has a site area of 725.5 square metres (7,809 square feet), with total permissible gross floor area of approximately 6,529 square metres (70,278 square feet) and covered floor area of approximately 9,355 square metres (100,697 square feet).

The project has been developed into a 20-storey hotel, comprising 288 guestrooms with ancillary facilities. The hotel was opened for business in March 2019 and the legal title to the property assigned to a wholly owned subsidiary of P&R Holdings in May 2019 under the terms of the development agreement. The hotel is presently self-operated by P&R Holdings and managed by the Group. This hotel has enrolled in the Designated Quarantine Hotel Scheme implemented by the Hong Kong Government to operate as hotel quarantine facilities since March 2022.

iclub AMTD Sheung Wan Hotel, No.5 Bonham Strand West, Sheung Wan, Hong Kong

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and has been developed into a hotel with 98 guestrooms and suites (total 162 room bays), with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet).

P&R Holdings sold 50% beneficial interest in this property to AMTD Group in December 2019 and the property is now 50% owned by each of P&R Holdings and AMTD Properties (HK) Limited. This hotel was officially opened for business in November 2020 and is self-operated by the joint venture entity and managed by the Group.

Nos.9-19 Kam Wa Street, Shau Kei Wan, Hong Kong

The subject properties, which were acquired through private treaty transactions, have a total site area of 518 square metres (5,580 square feet). The demolition works for this project have been completed and the scheme for a commercial/residential development is being finalised.

Nos.291-293 and 301-303 Castle Peak Road, Cheung Sha Wan, Kowloon

The properties presently comprise interests in over 80% undivided shares of Nos.291-293 Castle Peak Road and 100% ownership interests of Nos.301-303 Castle Peak Road. The properties have a total site area of 488 square metres (5,260 square feet) and are intended for a composite commercial/residential redevelopment. Application for Land Compulsory Sale to consolidate 100% ownership interests in the relevant properties has been submitted to the Lands Tribunal in December 2021.

Certain of the existing properties are presently classified as a Grade 2 Historic Building. A conservation proposal in conjunction with the proposed development is being discussed with the relevant government authorities, which would involve conserving the verandah portion of historical heritage within the new development, thus preserving its unique iconic image in the vicinity.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan is a listed subsidiary of P&R Holdings. Further information relating to the property projects of the Cosmopolitan group in the PRC, all of which are wholly owned, is set out below:

Property Development

Chengdu Project – Regal Cosmopolitan City

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

The superstructure and fitting-out works for the third stage of the development, consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces were all completed in December 2021. Nearly all of the residential units in the third stage have been presold by early 2021, at prices significantly higher than those attained in the first and second stages of the development. Total proceeds from the contracted presales and/or sales of the residential units amounted to approximately RMB2,046 million (HK\$2,518.2 million). About 60% of the units presold have been handed over to their respective purchasers before the last year end and the revenues derived therefrom accounted for in the financial results for the year under review. The procedures for the hand over of the remaining units sold are expected to be completed shortly and the relevant revenues will be recognised in the current financial year.

The sale of the shops with about 2,350 square metres (25,300 square feet) comprised in the third stage are in progress. Up to date, a total of 2,173 square meters (23,390 square feet) of shops have been sold or contracted to be sold, at aggregate sale considerations of approximately RMB75.6 million (HK\$93.0 million). The sale of 1,389 car parking spaces is continuing and, so far, 381 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB42.2 million (HK\$51.9 million). The procedures for the hand over of the shop units to their respective purchasers in stages have also commenced from December 2021.

The interior construction works of the 325-room hotel for the procurement of the Completion Certificate are scheduled to commence shortly. The interior fitting-out works for the guestrooms and the podium based on the revised design scheme are planned to commence after the procurement of the Completion Certificate and the hotel is scheduled to open in phases after the completion of respective fitting-out works.

The construction works of the remaining commercial components within the development, comprising a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) are in steady progress. One of the office towers, three blocks of commercial facilities as well as the six-storey shopping mall podium have been topped-off. The market repositioning works of the shopping mall are in progress. The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 20,000 square metres (215,200 square feet), has commenced in May 2021. Up to date, 113 office units with a total of about 4,846 square metres (52,162 square feet) have been subscribed by prospective purchasers or presold under contracts, for an aggregate consideration of RMB43.3 million (HK\$53.3 million). The presale of the remaining four office towers, consisting of 1,356 units with a total of about 66,000 square metres (710,500 square feet), will follow in phases with reference to the market environment.

Tianjin Project – Regal Renaissance

Located in the Hedong District in Tianjin, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

Nearly all of the residential units have been sold. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing but latest progress has been slow due to the downturn in the local retail market. Certain parts of the commercial complex have been leased out for rental income.

The superstructure works of the remaining two office towers and the four-storey commercial podium were completed in December 2021 and the related Completion Certificates were recently obtained. The programme for the presale of one office tower consisting of 137 units with a total of about 17,530 square metres (188,700 square feet) has been delayed and presently planned to be launched in the second half of 2022. Depending on the market conditions, the presale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), will be launched in phases thereafter. The market positioning works for the commercial podium are in progress.

Xinjiang Project

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

The Cosmopolitan group continues to maintain the overall re-forested area. In the meanwhile, the Cosmopolitan group is communicating with the relevant government authority to initiate appropriate measures to settle the disputes over certain portions of the land in the project site that have been illegally occupied. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan group in the relevant re-forestation contract remain valid and effective.

FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, private equities, bonds as well as treasury and yield enhancement products. Due to the economic disruptions caused by the sporadic outbreaks of the COVID-19 pandemic globally, the increasing inflationary pressures in most countries as well as other adverse factors, the capital market was volatile during the year. Market sentiment in Hong Kong was relatively weak, with the Hang Seng Index having dropped by 14.1% during 2021. Despite the volatile market conditions, the Group had recorded during the year satisfactory fair value gains on its equity investments portfolio.

FINANCIAL REVIEW

ASSETS VALUE

The Group's hotel properties in Hong Kong owned by Regal REIT, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, were stated in the financial statements at their fair values as at 23rd July, 2010 when Regal REIT became a subsidiary of the Group, plus subsequent capital additions and deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially as a whole but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel were stated in the Group's financial statements at their fair values at the time of acquisition net of the unrealised gain attributable to the Group and are also subject to depreciation and impairment, while the newly completed Regala Skycity Hotel owned by the Group is stated at cost and also subject to depreciation. For the purpose of providing supplementary information, if the Group's entire hotel property portfolio in Hong Kong is restated in the consolidated financial statements at market value as at 31st December, 2021, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$22.19 per share, computed as follows:

| | As at 31st December, 2021 | |
|--|----------------------------------|------------------------------------|
| | HK\$'million | HK\$ per ordinary share |
| Book net assets attributable to equity holders of the parent | 11,938.3 | 13.28 |
| Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities | <u>8,005.4</u> | <u>8.91</u> |
| Unaudited adjusted net assets attributable to equity holders of the parent | <u><u>19,943.7</u></u> | <u><u>22.19</u></u> |

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

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

Cash Flows

During the year under review, there were net cash flows generated from in operating activities of HK\$174.3 million (2020 – HK\$1,089.7 million). Net interest payment for the year amounted to HK\$180.0 million (2020 – HK\$171.6 million).

Borrowings and Gearing

As at 31st December, 2021, the Group had cash and bank balances and deposits of HK\$2,233.7 million (2020 – HK\$2,748.8 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$12,979.5 million (2020 – HK\$13,264.7 million).

As at 31st December, 2021, the gearing ratio of the Group was 42.1% (2020 – 40.9%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK\$12,979.5 million (2020 – HK\$13,264.7 million), as compared to the total assets of the Group of HK\$30,795.9 million (2020 – HK\$32,459.3 million).

On the basis of the adjusted total assets as at 31st December, 2021 of HK\$40,847.4 million (2020 – HK\$40,176.7 million) with the Group's hotel portfolio in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 31.8% (2020 – 33.0%).

As at 31st December, 2021, the Group had net current assets of HK\$3,379.8 million (2020 – net current liabilities of HK\$3,792.7 million). In February 2021, the Group joined in a refinancing with a syndicate of bank lenders for a 3-year term facility in an aggregate facility amount of HK\$4,125.0 million secured on the Mount Regalia properties, of which HK\$1,125.0 million was made directly available to the Group as a revolving loan facility.

In July 2021, the Group fully repaid the outstanding balance of its medium term notes in the principal amount of HK\$2,690.5 million through its internal resources. In August 2021, Regal REIT completed a new 5-year financing facility comprised of a term loan of HK\$4,500.0 million and a revolving loan of up to HK\$500.0 million secured on its four Regal Hotels. Also in August 2021, the Group concluded a new 4-year Green Loan for the Regala Skycity Hotel in an aggregate facility amount of HK\$3,100.0 million.

Details of the maturity profile of the borrowings of the Group as of 31st December, 2021 are shown in notes 29 and 30 to the financial statements.

Lease Liabilities

As at 31st December, 2021, the Group had lease liabilities of HK\$32.1 million (2020 – HK\$27.8 million).

Pledge of Assets

As at 31st December, 2021, the Group's properties held for sale and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$20,967.2 million (2020 – HK\$21,288.1 million) were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2021 are shown in note 41 to the financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2021 are shown in note 40 to the financial statements.

Share Capital

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

STAFF AND REMUNERATION POLICY

The Group employs approximately 1,480 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

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, 2021.

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”), 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, 2021 and the Group’s financial position at that date are set out in the financial statements on pages 76 to 186.

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 42 to 50, 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 44 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

No interim dividend was paid to the holders of ordinary shares during the year (2020 - Nil).

The Directors have resolved not to recommend the payment of a final dividend to the holders of ordinary shares for the year ended 31st December, 2021 (2020 - Nil).

ANNUAL GENERAL MEETING

The 2022 Annual General Meeting of the Company will be convened to be held on Monday, 13th June, 2022. 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

For the purpose of ascertaining shareholders' entitlement to attend and vote at the 2022 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Wednesday, 8th June, 2022 to Monday, 13th June, 2022, both days inclusive, and no transfers of ordinary shares will be effected during such period. In order to be entitled to attend and vote at the 2022 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, no later than 4:30 p.m. on Tuesday, 7th June, 2022.

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, JP
Mr. Donald Fan Tung
Ms. Alice Kan Lai Kuen
Professor Japhet Sebastian Law
Mr. Jimmy Lo Chun To
Mr. Kenneth Ng Kwai Kai
Ms. Winnie Ng, JP
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 2022 Annual General Meeting:

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

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2022 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 herein, 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.

REPORT OF THE DIRECTORS (Cont'd)

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

| The Company/ Name of associated corporation | Name of Director | Class of shares held | Personal interests | Number of shares held | | | Total (Approximate percentage of the issued shares as at 31st December, 2021) |
|---|-------------------------------|-------------------------|-----------------------|---------------------------|---------------------------|---------------------------|--|
| | | | | Corporate interests | Family/Other interests | | |
| 1. The Company | Mr. Lo Yuk Sui | Ordinary (issued) | 24,200 | 622,855,261 (Note c) | 260,700 | 623,140,161 (69.33%) | |
| | Miss Lo Po Man | Ordinary (issued) | 300,000 | 269,169 (Note d) | – | 569,169 (0.06%) | |
| | Dr. Francis Choi Chee Ming | Ordinary (issued) | 50,240,000 | – | – | 50,240,000 (5.59%) | |
| | Mr. Allen Wan Tze Wai | Ordinary (issued) | 10,200 | – | – | 10,200 (0.001%) | |
| 2. Century City International Holdings Limited ("CCIHL") | Mr. Lo Yuk Sui | Ordinary (issued) | 110,887,396 | 1,769,164,691 (Note a) | 380,683 | 1,880,432,770 (60.78%) | |
| | Miss Lo Po Man | Ordinary (issued) | 112,298 | – | – | 112,298 (0.004%) | |
| | Ms. Belinda Yeung Bik Yiu | Ordinary (issued) | 200 | – | – | 200 (0.000%) | |
| | Mr. Jimmy Lo Chun To | Ordinary (issued) | 251,735 | – | – | 251,735 (0.008%) | |
| | Mr. Allen Wan Tze Wai | Ordinary (issued) | 24,000 | – | – | 24,000 (0.001%) | |

| The Company/ Name of associated corporation | Name of Director | Class of shares held | Number of shares held | | | Total (Approximate percentage of the issued shares as at 31st December, 2021) |
|--|----------------------------|--------------------------|-----------------------|---------------------------|---------------------------|--|
| | | | Personal interests | Corporate interests | Family/Other interests | |
| 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. Allen Wan Tze Wai | Ordinary (issued) | 200 | – | – | 200 (0.000%) |
| 4. Cosmopolitan International Holdings Limited ("Cosmopolitan") | Mr. Lo Yuk Sui | Ordinary (i) (issued) | – | 4,719,526,144 (Note e) | – | 4,719,526,144 |
| | | (ii) (unissued) | – | 3,045,487,356 (Note f) | – | 3,045,487,356 |
| | Total: | | | | | 7,765,013,500 (121.47%) |
| | | Preference (issued) | – | 2,295,487,356 (Note f) | – | 2,295,487,356 (99.99%) |
| | Miss Lo Po Man | Ordinary (issued) | 1,380,000 | – | – | 1,380,000 (0.02%) |
| Mr. Jimmy Lo Chun To | Ordinary (issued) | 2,269,101 | – | – | 2,269,101 (0.04%) | |

REPORT OF THE DIRECTORS (Cont'd)

| The Company/ Name of associated corporation | Name of Director | Class of shares held | Personal interests | Number of shares held | | | Total (Approximate percentage of the issued shares as at 31st December, 2021) |
|--|---------------------|-------------------------|-----------------------|---------------------------|---------------------------|---------------------------|--|
| | | | | Corporate interests | Family/Other interests | | |
| 5. Regal REIT | Mr. Lo Yuk Sui | Units (issued) | – | 2,443,033,102 (Note g) | – | 2,443,033,102 (74.99%) | |
| 6. 8D International (BVI) Limited | Mr. Lo Yuk Sui | Ordinary (issued) | – | 1,000 (Note h) | – | 1,000 (100%) | |

Notes:

- (a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").
- (b) The interests in 694,124,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 60.77% 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 60.77% shareholding interests. The interests in 622,433,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 62.28% shareholding interests. PHL held 69.25% shareholding interests in the Company.
- (d) The interests in 269,169 issued ordinary shares of the Company were held through a company wholly owned by Miss Lo Po Man.

- (e) The interests in 3,121,001,480 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of 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. The interests in the other 1,065,191,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. The interests in the other 533,333,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of PHL. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in the Company. Mr. Lo held 60.77% shareholding interests in CCIHL.
- (f) The interests in 3,045,487,356 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 69.25% shareholding interests in the Company. Mr. Lo held 60.77% shareholding interests in CCIHL.

The interests in 2,295,487,356 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,295,487,356 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 750,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds in a principal amount of HK\$300,000,000 issued by a wholly owned subsidiary of Cosmopolitan. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

- (g) The interests in 2,439,613,739 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. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in the Company. Mr. Lo held 60.77% shareholding interests in CCIHL.
- (h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 60.77% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 31st December, 2021, 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, 2021, 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, 2021 |
|---|---------------------------------------|---|--|--|
| YSL International Holdings Limited ("YSL Int'l") (Note i) | 622,855,261 | – | 622,855,261 | 69.30% |
| Grand Modern Investments Limited ("Grand Modern") (Note ii) | 622,855,261 | – | 622,855,261 | 69.30% |
| CCIHL (Note iii) | 622,855,261 | – | 622,855,261 | 69.30% |
| Century City BVI Holdings Limited ("CCBVI") (Note iv) | 622,855,261 | – | 622,855,261 | 69.30% |
| PHL (Note v) | 622,433,861 | – | 622,433,861 | 69.25% |
| Paliburg Development BVI Holdings Limited (Note vi) | 622,433,861 | – | 622,433,861 | 69.25% |
| Guo Yui Investments Limited (Note vi) | 271,140,466 | – | 271,140,466 | 30.17% |
| Paliburg BVI Holdings Limited (Note vi) | 230,870,324 | – | 230,870,324 | 25.69% |
| Taylor Investments Ltd. (Note vi) | 154,232,305 | – | 154,232,305 | 17.16% |
| Glaser Holdings Limited (Note vi) | 58,682,832 | – | 58,682,832 | 6.53% |
| H.P. Nominees Limited (Note vi) | 55,480,885 | – | 55,480,885 | 6.17% |

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 52.70% 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, 2021, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

- (1) Mr. Lo Yuk Sui is a director of YSL Int'l.
- (2) Mr. Lo Yuk Sui, Miss Lo Po Man and Mr. Jimmy Lo Chun To are directors of Grand Modern.
- (3) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Mr. Kenneth Ng Kwai Kai, Ms. Winnie Ng and Mr. Wong Chi Keung are directors of CCIHL and PHL.
- (4) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To and Mr. Kenneth Ng Kwai Kai are directors of all the above-mentioned wholly owned subsidiaries of CCIHL and PHL.

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, 2021 is set out below:

| Name of Director | Details of changes |
|-----------------------------|--|
| <i>Executive Directors:</i> | |
| Mr. Lo Yuk Sui | <ul style="list-style-type: none">Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$461,300 commencing from January 2022. (Notes (i) and (ii)) |
| Miss Lo Po Man | <ul style="list-style-type: none">Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$158,500 commencing from January 2022. (Note (i)) |
| Ms. Belinda Yeung Bik Yiu | <ul style="list-style-type: none">Entitled to a monthly salary, based on services rendered to the Group, in an amount of HK\$251,100 commencing from January 2022. (Note (i)) |
| Mr. Donald Fan Tung | <ul style="list-style-type: none">Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$99,200 commencing from January 2022. (Note (i)) |
| Mr. Jimmy Lo Chun To | <ul style="list-style-type: none">Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$97,600 commencing from January 2022. (Note (i)) |
| Mr. Kenneth Ng Kwai Kai | <ul style="list-style-type: none">Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$161,200 commencing from January 2022. (Note (i)) |
| Mr. Allen Wan Tze Wai | <ul style="list-style-type: none">Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$105,800 commencing from January 2022. (Note (i)) |

Independent Non-Executive Director:

| | |
|------------------------|--|
| Ms. Alice Kan Lai Kuen | <ul style="list-style-type: none">She was appointed as a director and is a shareholder of BLS Capital Limited since July 2021. She was accredited as a responsible officer of BLS Capital Limited for asset management under the SFO with effect from 24th February, 2022. She resigned from the board of Asia Investment Management Limited in March 2022 and is no longer its shareholder. |
|------------------------|--|

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 in acting as a Director of the Company. Details of the remuneration of the Executive Directors for the year ended 31st December, 2021 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 in acting as the chairman or a member of each of such board committees.

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, 2021 are set out below:

| Name of Affiliated Companies | | Principal Amount of Advances (HK\$'million) | Interest Receivable (HK\$'million) | Guarantee given for Banking Facilities | | |
|------------------------------------|-----|--|--|--|--|----------------|
| | | | | (i) Principal Amount of Banking Facilities (HK\$'million) | (ii) Amount of Banking Facilities Drawdown (HK\$'million) | |
| 8D International (BVI) Limited | (A) | 13.6 | – | Nil | Nil | |
| 8D Matrix Limited | (B) | 68.9 | – | Nil | Nil | |
| P&R Holdings Limited | (C) | <u>2,222.7</u> | <u>(D) 132.3</u> | <u>(E)(i) 2,587.2</u> | <u>(E)(ii) 2,587.2</u> | |
| | | | | Total: | (A) to (E)(i) | <u>5,024.7</u> |
| | | | | | (A) to (D) & (E)(ii) | <u>5,024.7</u> |

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of the Company, which was principally involved in the development and distribution of technologically advanced security and building related systems and software development and promotions businesses. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by CCIHL and 60% by Mr. Lo through his close associates (as defined in the Listing Rules). The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D-BVI, for the purpose of financing the working capital of 8D-BVI. The advances are unsecured, interest-free and repayable on demand.

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 repayable on demand.

REPORT OF THE DIRECTORS (Cont'd)

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\$158.7 million which bears interest at 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\$2,587.2 million made available to six wholly owned subsidiaries and an associate 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 17 to the consolidated financial statements.

Calculated on the basis shown above, as at 31st December, 2021, 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\$5,024.7 million (based on the total available amount of the banking facilities) and (b) HK\$5,024.7 million (based on the total amount of banking facilities drawdown) represented (a) 16.3% and (b) 16.3% of the consolidated total assets of the Group of HK\$30,795.9 million, calculated by reference to its latest audited consolidated financial statements for the year ended 31st December, 2021.

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, 2021, 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 | 5,604.2 | 2,798.6 |
| Current assets | 9,979.1 | 4,981.1 |
| Current liabilities | (5,290.0) | (2,642.5) |
| Non-current liabilities | (7,964.6) | (3,844.8) |
| | <hr/> | <hr/> |
| | 2,328.7 | 1,292.4 |
| Non-controlling interests | (669.4) | (334.6) |
| | <hr/> | <hr/> |
| Net assets attributable to equity holders of the parent | <u>1,659.3</u> | <u>957.8</u> |

CONNECTED TRANSACTION

TRANSFER OF UNITS OF REGAL REAL ESTATE INVESTMENT TRUST

On 27th April, 2021, Honormate Nominees Limited (“HNL”), a wholly owned subsidiary of the Company, as purchaser and Cosmopolitan International Finance Limited (“CIFL”) as the vendor entered into bought and sold notes in relation to sale and purchase of 10,219,000 issued units of Regal Real Estate Investment Trust (the “Regal REIT Units”) at a cash consideration of approximately HK\$19.2 million (“Regal REIT Units Transfer”). Upon the completion of the Regal REIT Units Transfer, the Cosmopolitan group ceased to hold any Regal REIT Units and the unitholding in Regal REIT Units of the Group increased from 74.58% to 74.89%. The proceeds from the disposal of the Regal REIT Units were applied by Cosmopolitan group as its general working capital. The Regal REIT Units Transfer rationalised and simplified the unitholding structure of Regal REIT under the Company, PHL and CCIHL.

As at the date of the Regal REIT Units Transfer, PHL was a controlling shareholder of the Company and Cosmopolitan was a listed subsidiary of P&R Holdings (a 50%:50% owned joint venture company of PHL and the Company). Consequently, Cosmopolitan was a listed subsidiary of PHL and a fellow subsidiary of the Company. CIFL was an associate of PHL and was therefore a connected person of the Company. The Regal REIT Units Transfer constituted a connected transaction under Chapter 14A of the Listing Rules, subject to the reporting and announcement requirements but exempt from independent shareholders’ approval under Chapter 14A of the Listing Rules. Further details relating to the Regal REIT Units Transfer were disclosed in the joint announcement of the Company dated 27th April, 2021.

FINANCIAL ASSISTANCE TO THE COSMOPOLITAN GROUP

On 21st September, 2021, Long Profits Investments Limited (“Long Profits”), a wholly owned subsidiary of the Company, Cosmopolitan (together with its subsidiaries, the “Cosmopolitan Group”) and Bizwise Investments Limited (“Bizwise”), a wholly owned subsidiary of Cosmopolitan, entered into a supplemental agreement (the “Supplemental Agreement”) to amend certain terms of the facilities agreement dated 4th August, 2016 entered into between Long Profits as lender, Cosmopolitan as guarantor and Bizwise as borrower in relation to the provision of a 5-year term loan and revolving loan facilities of an aggregate amount of HK\$1,850 million granted by Long Profits to Bizwise (the “Facilities”). Pursuant to the Supplemental Agreement, the aggregate amount of the Facilities was reduced to HK\$857 million and the maturity date thereof was extended to 12th October, 2024 (the “Revised Facilities”). The Revised Facilities were provided for working capital purpose of the Cosmopolitan Group and to allow the Cosmopolitan Group to align the timing for the repayment of the Revised Facilities with the latest sale progress and completion schedule of the property development projects of Cosmopolitan Group in Chengdu and Tianjin, the PRC. The revolving loan facility under the Revised Facilities in the amount of HK\$500 million was made available to Bizwise on a revolving basis with a view to providing flexibility to the Cosmopolitan Group in the management of its surplus cash funds in the interim period, before the Revised Facilities are finally repaid.

As at the date of the Supplemental Agreement, PHL was a controlling shareholder of the Company, and Bizwise was an associate of PHL and therefore a connected person of the Company. The provision of the Revised Facilities constituted a major transaction and a connected transaction to the Company under Chapters 14 and 14A of the Listing Rules, respectively, and was subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. The Supplemental Agreement was approved by the independent shareholders of the Company at the special general meeting of the Company held on 30th November, 2021. The transaction under the Supplemental Agreement was completed in November 2021. Further details relating to the Supplemental Agreement were disclosed in the joint announcements of the Company dated 21st September, 2021, 15th October, 2021 and 29th October, 2021 and the circular of the Company dated 11th November, 2021.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

BORROWINGS

The details of the Group's borrowings at the end of the reporting period are set out in notes 29 and 30 to the financial statements.

SHARE CAPITAL

The details of the share capital of the Company are set out in note 33 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of the Company's share premium account are set out in note 33 to the financial statements.

CAPITAL REDEMPTION RESERVE

The details of the capital redemption reserve account 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.

PROPERTY REVALUATION RESERVE

The details of the property revaluation reserve account are set out in consolidated statement of changes in equity.

FAIR VALUE RESERVE

The details of movements in the fair value 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 17 and 18 to the financial statements, respectively.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$0.2 million.

DISTRIBUTABLE RESERVES

As at 31st December, 2021, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$4,930.5 million.

In addition, the Company's share premium account, in the amount of HK\$404.7 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, 2021 will be published as a separate report from this Annual Report in compliance with relevant requirements under the Listing Rules on or before 31st May, 2022.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong

31st March, 2022

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2021.

The Company is committed to maintaining good corporate governance practices and procedures. The Company conducts regular review of its policies and practices in respect of the management and corporate matters of the Group. To comply with the new requirements for enhanced operating standards, 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 is also 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, 2021, 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, JP (*Chief Operating Officer*)
Mr. Donald Fan Tung
Mr. Jimmy Lo Chun To
Mr. Kenneth Ng Kwai Kai
Mr. Allen Wan Tze Wai

Non-Executive Director:

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

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen
Professor Japhet Sebastian Law
Ms. Winnie Ng, JP
Mr. Wong Chi Keung

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

During the year ended 31st December, 2021, 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 overall 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 2021, the attendance rates of individual Board members of the Company were as follows:

| Name of Directors | Attendance | |
|--|----------------|------------------|
| | Board Meetings | General Meetings |
| <i>Executive Directors</i> | | |
| Mr. Lo Yuk Sui (<i>Chairman and Chief Executive Officer</i>) | 19/19 | 2/2 |
| Miss Lo Po Man (<i>Vice Chairman and Managing Director</i>) | 19/19 | 2/2 |
| Ms. Belinda Yeung Bik Yiu, JP (<i>Chief Operating Officer</i>) | 19/19 | 2/2 |
| Mr. Donald Fan Tung | 19/19 | 2/2 |
| Mr. Jimmy Lo Chun To | 19/19 | 2/2 |
| Mr. Kenneth Ng Kwai Kai | 19/19 | 2/2 |
| Mr. Allen Wan Tze Wai | 19/19 | 2/2 |
| <i>Non-Executive Director</i> | | |
| Dr. Francis Choi Chee Ming, GBS, JP (<i>Vice Chairman</i>) | 19/19 | 2/2 |
| <i>Independent Non-Executive Directors</i> | | |
| Ms. Alice Kan Lai Kuen | 19/19 | 2/2 |
| Professor Japhet Sebastian Law | 19/19 | 2/2 |
| Ms. Winnie Ng, JP | 19/19 | 2/2 |
| Mr. Wong Chi Keung | 19/19 | 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 year 2021, the Company arranged for Directors reading materials covering topics relating to board culture and accountability as well as reporting in environmental, social and governance report. The training received by the Directors during year 2021 is summarised below:

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

Ms. Winnie Ng, JP (*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 2021, 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 (<i>Chairman of the Committee</i>) | 2/2 |
| Dr. Francis Choi Chee Ming, GBS, JP | 2/2 |
| Ms. Alice Kan Lai Kuen | 2/2 |
| Professor Japhet Sebastian Law | 2/2 |
| Ms. Winnie Ng, JP | 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*)

Ms. Winnie Ng, JP (*Member*)

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

In year 2021, 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 (<i>Chairman of the Committee</i>) | 1/1 |
| Mr. Lo Yuk Sui | 1/1 |
| Ms. Alice Kan Lai Kuen | 1/1 |
| Ms. Winnie Ng, JP | 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, 2021 by band is set out below:

| Remuneration band | Number of individuals |
|--|-----------------------|
| HK\$1,500,001 – 2,000,000 | 2 |
| HK\$2,000,001 – 2,500,000 | 0 |
| HK\$2,500,001 – 3,000,000 | 2 |
| Within bands from HK\$3,000,001 – 4,000,000 | 1 |
| Within bands from HK\$4,000,001 – 5,000,000 | 1 |
| Within bands from HK\$5,000,001 – 10,000,000 | 1 |

Further details of the Executive Directors' remuneration for the year ended 31st December, 2021 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*)

Ms. Winnie Ng, JP (*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 the policy for designing the composition of the Board, aiming to achieve diversity with balanced skills and expertise. The diversity of the Board members is assessed basing on a range of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional acumen, industry experience and other individual qualities. The Nomination Committee will discuss and review annually the structure, size and composition of the Board and agree on measurable objectives for achieving diversity on the Board and make relevant recommendation to the Board for adoption.

In year 2021, 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 Nomination Committee also considered the biographical details and other related particulars of those Executive, Non-Executive and Independent Non-Executive Directors of the Company, who retired and offered themselves for re-election at the annual general meeting of the Company held in June 2021 in accordance with the By-laws of the Company (the "then Retiring Directors"), with reference to the Board Diversity Policy and their contributions to the Board and the Group during their tenure. The particulars of the then Retiring Directors were disclosed in the Company's annual report for the year 2020 and its circular to the shareholders accompanying the 2020 annual report. The then Retiring Directors had extensive experience and knowledge in their respective professional and commercial fields, who could contribute valuable advice on the business and development of the Group and can also conform with the diversity policy of the Board. The then Retiring Directors were re-elected as Directors by the Company's shareholders at its 2021 annual general meeting. The attendance rates of individual Nomination Committee members of the Company were as follows:

| Name of Nomination Committee members | Attendance |
|---|-------------------|
| Mr. Lo Yuk Sui (<i>Chairman of the Committee</i>) | 1/1 |
| Ms. Alice Kan Lai Kuen | 1/1 |
| Ms. Winnie Ng, JP | 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 Auditor, 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, 2021.

(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 2021 Annual General Meeting until the conclusion of the forthcoming 2022 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, 2021 were HK\$7.2 million (2020 - HK\$7.0 million) and HK\$2.8 million (2020 - HK\$1.6 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, 2021 | 1.0 |
| (2) Compliance and other services to the Group | 1.8 |

(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, 2021, 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.

(IX) DIVIDEND POLICY

The Company has adopted a dividend policy relating to the distribution of profits or surplus of the Company to its shareholders, which can be by way of dividends or in other form of distributions (the "Dividend Policy"). The objective of the Dividend Policy is to allow the Company's shareholders to participate in its profits while balancing the need for the Company to retaining adequate reserves to fund the continuing development and growth of the Group.

Any declaration or proposed payment of dividend or distribution will be subject to the determination by the Board. In deciding or determining whether to declare or propose a dividend or distribution payable to the shareholders and the amount and details of such dividend or distribution, the Board shall consider and take into account the following factors:

- (i) the operating results of the Group;
- (ii) the retained earnings and/or distributable reserves of the Company and the members of the Group;
- (iii) the liquidity position of the Company and the Group;
- (iv) the debt to equity ratio, the return on equity and the relevant financial covenants of the Group;
- (v) contractual restrictions on the payment of dividends by the Company and the Group;
- (vi) taxation considerations;
- (vii) the working capital requirements and capital commitments of the Group and its plans for future growth and expansion;
- (viii) the expected financial performance of the Group;
- (ix) general economic conditions and other external factors that may impact on the business and/or financial performances of the Group; and
- (x) any other factors that the Board may consider appropriate and relevant.

Any declaration or proposed payment of dividend or distribution by the Company is also subject to any requirements and restrictions under the Companies Act of Bermuda, the Memorandum of Association and Bye-laws of the Company, and any other applicable laws, rules and regulations. The Board will review the Dividend Policy from time to time and, at its sole and absolute discretion, update or revise the Dividend Policy as and when considered necessary or appropriate.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2021

| | Notes | 2021 HK\$'million | 2020 HK\$'million |
|--|-------|----------------------|----------------------|
| REVENUE | 5 | 986.6 | 678.7 |
| Cost of sales | | (751.1) | (592.9) |
| Gross profit | | 235.5 | 85.8 |
| Other income and gains, net | 5 | 177.1 | 270.0 |
| Fair value gains on financial assets at fair value through profit or loss, net | | 94.9 | 159.8 |
| Fair value gains/(losses) on investment properties | 14 | 11.6 | (72.9) |
| Impairment loss on items of property, plant and equipment | | (11.7) | (90.1) |
| Impairment loss on investment in an associate | | (1.2) | – |
| Property selling and marketing expenses | | (44.0) | (14.0) |
| Administrative expenses | | (234.2) | (173.1) |
| OPERATING PROFIT BEFORE DEPRECIATION | | 228.0 | 165.5 |
| Depreciation | | (537.1) | (522.5) |
| OPERATING LOSS | | (309.1) | (357.0) |
| Finance costs | 7 | (266.8) | (290.1) |
| Share of profits and losses of: | | | |
| Joint ventures | | 31.3 | (236.1) |
| Associates | | (1.2) | (0.7) |
| LOSS BEFORE TAX | 6 | (545.8) | (883.9) |
| Income tax | 10 | 18.2 | (12.9) |
| LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | | (527.6) | (896.8) |
| Attributable to: | | | |
| Equity holders of the parent | | (494.4) | (885.9) |
| Non-controlling interests | | (33.2) | (10.9) |
| | | (527.6) | (896.8) |
| LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | 12 | | |
| Basic and diluted | | HK\$(0.68) | HK\$(1.11) |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2021

| | 2021 HK\$'million | 2020 HK\$'million |
|--|-----------------------|----------------------|
| LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | (527.6) | (896.8) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translating foreign operations | 0.2 | 54.8 |
| Share of other comprehensive income of: | | |
| A joint venture | 14.7 | 47.9 |
| An associate | – | 0.1 |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | <u>14.9</u> | <u>102.8</u> |
| Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods: | | |
| Share of other comprehensive income/(loss) of: | | |
| A joint venture | <u>(277.9)</u> | <u>758.0</u> |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | <u>(263.0)</u> | <u>860.8</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | <u><u>(790.6)</u></u> | <u><u>(36.0)</u></u> |
| Attributable to: | | |
| Equity holders of the parent | <u>(757.2)</u> | <u>(25.6)</u> |
| Non-controlling interests | <u>(33.4)</u> | <u>(10.4)</u> |
| | <u><u>(790.6)</u></u> | <u><u>(36.0)</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2021

| | Notes | 2021 HK\$'million | 2020 HK\$'million |
|---|-------|----------------------|----------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | 6,327.2 | 8,596.5 |
| Investment properties | 14 | 605.3 | 900.6 |
| Right-of-use assets | 15 | 13,133.1 | 10,917.3 |
| Properties under development | 16 | 445.8 | 444.3 |
| Investments in joint ventures | 17 | 3,161.2 | 4,010.1 |
| Investments in associates | 18 | 8.9 | 11.3 |
| Financial assets at fair value through profit or loss | 19 | 659.9 | 743.6 |
| Other loan | 20 | 357.0 | – |
| Debtors and deposits | 21 | 78.6 | 77.3 |
| Deferred tax assets | 32 | 47.7 | 50.1 |
| Intangible assets | 22 | 3.6 | – |
| Total non-current assets | | 24,828.3 | 25,751.1 |
| CURRENT ASSETS | | | |
| Properties under development | 16 | 1,043.2 | 927.2 |
| Properties held for sale | 23 | 293.4 | 240.2 |
| Inventories | 24 | 22.9 | 25.2 |
| Debtors, deposits and prepayments | 21 | 190.8 | 282.1 |
| Financial asset at amortised cost | 25 | 15.6 | – |
| Financial assets at fair value through profit or loss | 19 | 2,013.9 | 1,941.1 |
| Other loan | 20 | 121.9 | 535.9 |
| Derivative financial instruments | 31 | 26.3 | – |
| Tax recoverable | | 5.9 | 7.7 |
| Restricted cash | 26 | 99.2 | 88.5 |
| Pledged time deposits and bank balances | | 252.8 | 311.3 |
| Time deposits | | 811.8 | 81.9 |
| Cash and bank balances | | 1,069.9 | 2,267.1 |
| Total current assets | | 5,967.6 | 6,708.2 |
| CURRENT LIABILITIES | | | |
| Creditors, deposits received and accruals | 27 | (408.2) | (274.7) |
| Contract liabilities | 28 | (127.7) | (53.6) |
| Lease liabilities | 15 | (10.6) | (12.0) |
| Interest bearing bank borrowings | 29 | (2,010.0) | (7,426.3) |
| Other borrowing | 30 | – | (2,707.0) |
| Tax payable | | (31.3) | (27.3) |
| Total current liabilities | | (2,587.8) | (10,500.9) |
| NET CURRENT ASSETS/(LIABILITIES) | | 3,379.8 | (3,792.7) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 28,208.1 | 21,958.4 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 31st December, 2021

| | Notes | 2021 HK\$'million | 2020 HK\$'million |
|--|-------|----------------------|----------------------|
| NON-CURRENT LIABILITIES | | | |
| Creditors and deposits received | 27 | (104.8) | (104.5) |
| Lease liabilities | 15 | (21.5) | (15.8) |
| Interest bearing bank borrowings | 29 | (13,203.2) | (5,880.2) |
| Deferred tax liabilities | 32 | (747.3) | (801.8) |
| Total non-current liabilities | | <u>(14,076.8)</u> | <u>(6,802.3)</u> |
| Net assets | | <u>14,131.3</u> | <u>15,156.1</u> |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | | | |
| Issued capital | 33 | 89.9 | 89.9 |
| Reserves | 34 | 11,848.4 | 12,716.3 |
| | | <u>11,938.3</u> | <u>12,806.2</u> |
| Perpetual securities | 35 | 1,732.9 | 1,732.9 |
| Non-controlling interests | | 460.1 | 617.0 |
| Total equity | | <u>14,131.3</u> | <u>15,156.1</u> |

KENNETH NG KWAI KAI

Director

LO YUK SUI

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2021

| | Attributable to equity holders of the parent | | | | | | | | | | | |
|---|--|---------------------------------|--------------------------------------|---------------------------|--|------------------------------|---|----------------------------|-----------------|--------------------------------|-------------------------------------|------------------------|
| | Issued capital HK\$'m | Share premium account HK\$'m | Capital redemption reserve HK\$'m | Capital reserve HK\$'m | Property revaluation reserve HK\$'m | Fair value reserve HK\$'m | Exchange equalisation reserve HK\$'m | Retained profits HK\$'m | Total HK\$'m | Perpetual securities HK\$'m | Non-controlling interests HK\$'m | Total equity HK\$'m |
| At 1st January, 2020 | 89.9 | 404.7 | 17.7 | 231.3 | 8.1 | - | (108.8) | 12,355.8 | 12,998.7 | 1,732.9 | 724.2 | 15,455.8 |
| Loss for the year | - | - | - | - | - | - | - | (885.9) | (885.9) | - | (10.9) | (896.8) |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | | | |
| Exchange differences on translating foreign operations | - | - | - | - | - | - | 54.3 | - | 54.3 | - | 0.5 | 54.8 |
| Share of other comprehensive income/(loss) of: | | | | | | | | | | | | |
| A joint venture | - | - | - | 1,038.0 | - | (280.0) | 47.9 | - | 805.9 | - | - | 805.9 |
| An associate | - | - | - | - | - | - | 0.1 | - | 0.1 | - | - | 0.1 |
| Total comprehensive income/(loss) for the year | - | - | - | 1,038.0 | - | (280.0) | 102.3 | (885.9) | (25.6) | - | (10.4) | (36.0) |
| Elimination of reciprocal interests | - | - | - | - | - | - | - | 0.4 | 0.4 | - | - | 0.4 |
| Final 2019 dividend declared | - | - | - | - | - | - | - | (53.9) | (53.9) | - | - | (53.9) |
| Distributions to non-controlling interests of a listed subsidiary | - | - | - | - | - | - | - | - | - | - | (96.0) | (96.0) |
| Distribution to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (0.8) | (0.8) |
| Distribution to holders of perpetual securities | - | - | - | - | - | - | - | (113.4) | (113.4) | - | - | (113.4) |
| At 31st December, 2020 | 89.9 | 404.7 | 17.7 | 1,269.3 | 8.1 | (280.0) | (6.5) | 11,303.0 | 12,806.2 | 1,732.9 | 617.0 | 15,156.1 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

For the year ended 31st December, 2021

| | Attributable to equity holders of the parent | | | | | | | | | | | |
|---|--|---------------------------------|--------------------------------------|---------------------------|--|------------------------------|---|----------------------------|-----------------|--------------------------------|-------------------------------------|------------------------|
| | Issued capital HK\$'m | Share premium account HK\$'m | Capital redemption reserve HK\$'m | Capital reserve HK\$'m | Property revaluation reserve HK\$'m | Fair value reserve HK\$'m | Exchange equalisation reserve HK\$'m | Retained profits HK\$'m | Total HK\$'m | Perpetual securities HK\$'m | Non-controlling interests HK\$'m | Total equity HK\$'m |
| At 1st January, 2021 | 89.9 | 404.7 | 17.7 | 1,269.3 | 8.1 | (280.0) | (6.5) | 11,303.0 | 12,806.2 | 1,732.9 | 617.0 | 15,156.1 |
| Loss for the year | - | - | - | - | - | - | - | (494.4) | (494.4) | - | (33.2) | (527.6) |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | | | |
| Exchange differences on translating foreign operations | - | - | - | - | - | - | 0.4 | - | 0.4 | - | (0.2) | 0.2 |
| Share of other comprehensive income/(loss) of A joint venture | - | - | - | (27.7) | - | (250.2) | 14.7 | - | (263.2) | - | - | (263.2) |
| Total comprehensive income/(loss) for the year | - | - | - | (27.7) | - | (250.2) | 15.1 | (494.4) | (757.2) | - | (33.4) | (790.6) |
| Distributions to non-controlling interests of a listed subsidiary | - | - | - | - | - | - | - | - | - | - | (99.7) | (99.7) |
| Distribution to holders of perpetual securities | - | - | - | - | - | - | - | (113.6) | (113.6) | - | - | (113.6) |
| Capital reserve arising from acquisition of additional interest in a listed subsidiary | - | - | - | (0.2) | - | - | - | - | (0.2) | - | - | (0.2) |
| Acquisition of additional interest in a listed subsidiary | - | - | - | - | - | - | - | - | - | - | (17.4) | (17.4) |
| Acquisition of additional interest in a non-controlling interest | - | - | - | 3.1 | - | - | - | - | 3.1 | - | (6.4) | (3.3) |
| At 31st December, 2021 | 89.9 | 404.7 | 17.7 | 1,244.5 | 8.1 | (530.2) | 8.6 | 10,695.0 | 11,938.3 | 1,732.9 | 460.1 | 14,131.3 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2021

| | Notes | 2021 HK\$'million | 2020 HK\$'million |
|---|-------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | (545.8) | (883.9) |
| Adjustments for: | | | |
| Finance costs | 7 | 266.8 | 290.1 |
| Share of losses/(profits) of joint ventures and associates | | (30.1) | 236.8 |
| Interest income | 5 | (85.2) | (208.9) |
| Depreciation | | 537.1 | 522.5 |
| Dividend income from listed investments | 5 | (5.0) | (8.2) |
| Dividend income from unlisted investments | 5 | (17.5) | (40.7) |
| Fair value gains on financial assets at fair value through profit or loss, net | | (94.9) | (159.8) |
| Fair value losses/(gains) on investment properties | | (11.6) | 72.9 |
| Loss on disposal of unlisted investments included in financial assets at fair value through profit or loss | 5 | 9.8 | 12.6 |
| Impairment loss on items of property, plant and equipment | 6 | 11.7 | 90.1 |
| Gains on disposal of investment properties | 5 | (4.0) | – |
| Impairment of trade debtors, net | 6 | 5.9 | 13.5 |
| Impairment loss on investment in an associate | | 1.2 | – |
| Gain on lease modification | 15 | (0.4) | (0.3) |
| | | 38.0 | (63.3) |
| Additions to properties under development | | (115.9) | (45.0) |
| Decrease in inventories | | 2.3 | 4.4 |
| Increase in properties held for sale | | (4.0) | (2.5) |
| Decrease/(increase) in debtors, deposits and prepayments | | 11.6 | (21.8) |
| Decrease in restricted cash | | (20.0) | – |
| Decrease in financial assets at fair value through profit or loss | | 6.3 | 1,299.9 |
| Increase/(decrease) in creditors, deposits received and accruals | | 194.3 | (66.8) |
| Increase in contract liabilities | | 74.0 | 10.3 |
| Cash generated from operations | | 186.6 | 1,115.2 |
| Interest received | | 9.5 | 57.2 |
| Dividends received from listed investments | | 5.0 | 8.2 |
| Hong Kong profits tax paid | | (26.4) | (89.1) |
| Overseas taxes paid | | (0.4) | (1.8) |
| Net cash flows from operating activities | | 174.3 | 1,089.7 |

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the year ended 31st December, 2021

| | Note | 2021 HK\$'million | 2020 HK\$'million |
|--|-------|----------------------|----------------------|
| Net cash flows from operating activities | | 174.3 | 1,089.7 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to investment properties | | (1.8) | (2.0) |
| Purchases of items of property, plant and equipment | | (507.5) | (845.6) |
| Proceeds from disposal of investment properties | | 303.0 | 80.9 |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 125.6 | 14.4 |
| Purchases of intangible assets | | (3.6) | – |
| Purchases of financial assets at fair value through profit or loss | | (32.5) | (36.1) |
| Distribution from financial assets at fair value through profit or loss | | 10.9 | 49.2 |
| Purchases of financial assets at amortised cost | | (127.5) | (93.0) |
| Proceeds from redemption of financial assets at amortised cost | | 111.9 | 93.0 |
| Acquisition of additional interest in a listed subsidiary | | (19.2) | – |
| Advances to joint ventures | | (1,973.1) | (242.0) |
| Repayment from a joint venture | | 2,582.7 | 135.4 |
| Interest received | | 96.8 | 151.0 |
| Dividends received from unlisted investments | | 17.5 | 0.5 |
| Decrease in other loans | | 57.0 | 916.9 |
| Decrease in pledged time deposits and bank balances | | 58.5 | 45.7 |
| Decrease/(increase) in restricted cash | | (3.4) | 4.3 |
| Decrease/(increase) in time deposits with an original maturity of more than three months when acquired | | 1.2 | (11.2) |
| Net cash flows from investing activities | | 696.5 | 261.4 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Decrease in other borrowing | | (2,716.8) | (3.0) |
| Drawdown of new bank loans | | 9,823.7 | 1,168.2 |
| Repayment of bank loans | | (7,835.7) | (942.9) |
| Interest paid | | (286.3) | (379.8) |
| Payment of loan and other costs | | (120.8) | (14.2) |
| Principal portion of lease payments | | (14.0) | (15.6) |
| Dividends paid | | – | (53.9) |
| Distributions to non-controlling interests of a listed subsidiary | | (99.7) | (96.0) |
| Distribution to non-controlling interests | | – | (0.8) |
| Distribution relating to perpetual securities | | (113.6) | (113.4) |
| Decrease/(increase) in restricted cash | | 12.7 | (16.8) |
| Net cash flows used in financing activities | | (1,350.5) | (468.2) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | (479.7) | 882.9 |
| Cash and cash equivalents at beginning of year | | 2,337.8 | 1,433.1 |
| Effect of foreign exchange rate changes, net | | 13.6 | 21.8 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 1,871.7 | 2,337.8 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalent as stated in the consolidated statement of financial position | 37(a) | 1,881.7 | 2,349.0 |
| Non-pledged time deposit with an original maturity of more than three months when acquired | 37(a) | (10.0) | (11.2) |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | | 1,871.7 | 2,337.8 |

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Regal Hotels International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in hotel operations and management, hotel ownership through its listed subsidiary, Regal Real Estate Investment Trust (“Regal REIT”), asset management of Regal REIT, property development and investment, aircraft ownership and leasing business, and other investments including financial assets investments.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Century City International Holdings Limited (“CCIHL”), which was incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

| Name | Place of incorporation/ registration/ and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company | | Principal activities |
|---|--|---|---|------|---|
| | | | 2021 | 2020 | |
| Alpha Season Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Ascent Human Resources Holdings Limited | Hong Kong | HK\$2 | 100 | 100 | Provision of housekeeping services and investment holding |
| Ascent Property Services Limited | Hong Kong | HK\$1 | 100 | 100 | Provision of security and guarding services |
| Best Time Enterprises Limited | Hong Kong | HK\$2 | 100 | 100 | Passenger service licences holding and vehicle ownership |
| Camomile Investments Limited | Hong Kong | HK\$2 | 100 | 100 | Property investment |
| Capital Charm Holdings Limited | Hong Kong | HK\$1 | 100 | 100 | Hotel ownership and operation |
| Cheerview Limited | Hong Kong | HK\$1 | 100 | 100 | Food and beverage operation |
| Chest Gain Development Limited | Hong Kong | HK\$10,000 | 100 | 100 | Investment holding |
| Come On Investment Company Limited | Hong Kong | HK\$10,000 | 100 | 100 | Securities trading and investment |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

| Name | Place of incorporation/ registration/ and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company | | Principal activities |
|--|--|--|--|------|-----------------------------------|
| | | | 2021 | 2020 | |
| Complete Success Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Eminent Idea Holdings Limited ⁽³⁾ | Hong Kong | HK\$1 | – | 100 | Property investment |
| Eminent Result Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Favour Link International Limited | Hong Kong | HK\$1 | 100 | 100 | Hotel operations |
| Favourite Stock Limited | British Virgin Islands | US\$1 | 100 | 100 | Securities investment |
| Forever Venus Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Fortune Build Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Fortune Trove Limited | Hong Kong | HK\$1 | 100 | 100 | Property investment |
| Frequentspirit Investimentos Imobiliários Lda. | Portugal | EUR100 | 100 | 90 | Property development |
| Full Season International Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Gain Union Limited | Hong Kong | HK\$1 | 100 | 100 | Property development |
| Gallant Glory Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Gaud Limited | Hong Kong | HK\$2 | 100 | 100 | Securities trading and investment |
| Gestiones E Inversiones Cosmoland, S.L. | Spain | EUR3,000 | 100 | 100 | Hotel ownership |
| Golden Vessel Investments Limited | Hong Kong | HK\$1 | 100 | 100 | Property investment |
| Grand Pyramid Limited ⁽³⁾ | Hong Kong | HK\$1 | – | 100 | Property investment |
| Great Prestige Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

| Name | Place of incorporation/ registration/ and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company | | Principal activities |
|--------------------------------------|--|--|--|------|---|
| | | | 2021 | 2020 | |
| Greatlead Investments Limited | Hong Kong | HK\$1 | 100 | 100 | Property investment |
| Harvest Charm Investment Limited | Hong Kong | HK\$2 | 100 | 100 | Financing |
| Hill Treasure Limited | British Virgin Islands | US\$1 | 100 | 100 | Aircraft ownership and leasing |
| Honormate Nominees Limited | Hong Kong | HK\$2 | 100 | 100 | Securities investment and nominee services |
| Honrich Investment Limited | Hong Kong | HK\$2 | 100 | 100 | Financing |
| Impressive Galaxy Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Intellect Aquarius Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Kaybro Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Long Profits Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Financing |
| Loraine Developments, S.L. | Spain | EUR3,000 | 100 | 100 | Hotel ownership |
| Maximum Good Limited | Hong Kong | HK\$1 | 100 | 100 | Property investment |
| Metropolitan Central Kitchen Limited | Hong Kong | HK\$1 | 100 | 100 | Sale of food products |
| Metropolitan F&B Management Limited | Hong Kong | HK\$1 | 100 | 100 | Provision of management services for food and beverage operations |
| Million Sharp International Limited | Hong Kong | HK\$1 | 100 | 100 | Property investment |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

| Name | Place of incorporation/ registration/ and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company | | Principal activities |
|---------------------------------------|--|--|--|------|---|
| | | | 2021 | 2020 | |
| Navigation Force Limited | British Virgin Islands | US\$1 | 100 | 100 | Aircraft ownership and leasing |
| New Blossom International Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Rainbow Petal Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Regal Concord Limited | Hong Kong | HK\$1 | 100 | 100 | Investment holding and financing |
| Regal Contracting Agency Limited | Hong Kong | HK\$1 | 100 | 100 | Contracting agency |
| Regal Estate Agents Limited | Hong Kong | HK\$2 | 100 | 100 | Estate agency |
| Regal Estate Management Limited | Hong Kong | HK\$2 | 100 | 100 | Estate management |
| Regal F&B Management Limited | Hong Kong | HK\$1 | 100 | 100 | Provision of management services for food and beverage operations |
| Regal Hotels (Holdings) Limited | Hong Kong | HK\$1,151,598,638 | 100 | 100 | Investment holding and management services |
| Regal Hotels Company Limited | Hong Kong | HK\$2 | 100 | 100 | Investment holding |
| Regal Hotels International Limited | Hong Kong | HK\$100,000 | 100 | 100 | Hotel management and investment holding |
| Regal Hotels Management (BVI) Limited | British Virgin Islands/ Mainland China | US\$1 | 100 | 100 | Investment holding and hotel management |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

| Name | Place of incorporation/ registration/ and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company | | Principal activities |
|---|--|--|--|------|---|
| | | | 2021 | 2020 | |
| Regal International Limited | British Virgin Islands | US\$20 | 100 | 100 | Investment and trademark holding |
| Regal International (BVI) Holdings Limited | British Virgin Islands | HK\$10.1 | 100 | 100 | Investment holding |
| Regal Portfolio Management Limited | Hong Kong | HK\$11,611,937 | 100 | 100 | Asset management |
| RH International Finance Limited | British Virgin Islands/ Hong Kong | US\$1 | 100 | 100 | Financing |
| R.H.I. Licensing B.V. | The Netherlands | NLG40,000 | 100 | 100 | Trademark holding |
| Rich Capital Investment Limited | Hong Kong | HK\$100 | 100 | 100 | Property development |
| Solution Key Investments Limited ⁽³⁾ | Hong Kong | HK\$1 | – | 100 | Property investment |
| Success Path Investments Limited | Hong Kong | HK\$1 | 100 | 100 | Property investment |
| Tenshine Limited | Hong Kong | HK\$2 | 100 | 100 | Securities trading and investment and financing |
| Time Crest Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Securities investment |
| Total Blessing Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Total Wisdom Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Treasure Dealer Limited | Hong Kong | HK\$1 | 100 | 100 | Property investment |
| Treasure Wagon Company Limited | Hong Kong | HK\$2 | 100 | 100 | Operation of security storage lounge |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company | | Principal activities |
|------------------------------------|--|---|---|------|--------------------------------|
| | | | 2021 | 2020 | |
| Triumphant Sky Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Aircraft ownership and leasing |
| Unicorn Star Limited | British Virgin Islands | US\$1 | 100 | 100 | Securities investment |
| Unique Sky Holdings Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Vast Charm International Limited | Hong Kong | HK\$1 | 100 | 100 | Property investment |
| Vivid Merit Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Waterman House Investments Limited | England and Wales | GBP300 | 100 | 100 | Property investment |
| Wealth Virtue Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Wealthy Path Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Wealthy Smart Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Well Mount Investments Limited | British Virgin Islands | US\$1 | 100 | 100 | Securities investment |
| Wing Bright Holdings Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| Will Smart Investments Limited | Hong Kong | HK\$1 | 100 | 100 | Property investment |
| Wise Ahead Holdings Limited | British Virgin Islands | US\$1 | 100 | 100 | Investment holding |
| 廣州市富堡訂房服務有限公司 ⁽¹⁾ | The People's Republic of China ("PRC")/ Mainland China | RMB100,000 | 100 | 100 | Room reservation services |
| 富豪酒店投資管理(上海)有限公司 ⁽¹⁾ | PRC/ Mainland China | US\$140,000 | 100 | 100 | Hotel management |
| 深圳市豪家匯企業諮詢有限公司 ⁽¹⁾ | PRC/ Mainland China | RMB1,000,000 | 100 | 100 | Investment holding |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

| Name | Place of incorporation/ registration/ and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company | | Principal activities |
|---|--|--|--|-------|--|
| | | | 2021 | 2020 | |
| Regal Real Estate Investment Trust | Hong Kong | 3,257,431,189 units | 74.89 | 74.58 | Property investment |
| Bauhinia Hotels Limited ⁽²⁾ | Hong Kong | HK\$2 | 74.89 | 74.58 | Hotel ownership |
| Cityability Limited ⁽²⁾ | Hong Kong | HK\$10,000 | 74.89 | 74.58 | Hotel ownership |
| Gala Hotels Limited ⁽²⁾ | Hong Kong | HK\$2 | 74.89 | 74.58 | Hotel ownership |
| Land Crown International Limited ⁽²⁾ | Hong Kong | HK\$1 | 74.89 | 74.58 | Hotel ownership |
| Regal Asset Holdings Limited ⁽²⁾ | Bermuda/ Hong Kong | US\$12,000 | 74.89 | 74.58 | Investment holding |
| Regal Riverside Hotel Limited ⁽²⁾ | Hong Kong | HK\$2 | 74.89 | 74.58 | Hotel ownership |
| Rich Day Investments Limited ⁽²⁾ | Hong Kong | HK\$1 | 74.89 | 74.58 | Financing |
| Ricobem Limited ⁽²⁾ | Hong Kong | HK\$100,000 | 74.89 | 74.58 | Hotel ownership |
| Sonnix Limited ⁽²⁾ | Hong Kong | HK\$2 | 74.89 | 74.58 | Property ownership and hotel operation |
| R-REIT International Finance Limited ⁽²⁾ | British Virgin Islands | US\$1 | 74.89 | 74.58 | Financing |
| Tristan Limited ⁽²⁾ | Hong Kong | HK\$20 | 74.89 | 74.58 | Hotel ownership |
| Wise Decade Investments Limited ⁽²⁾ | Hong Kong | HK\$1 | 74.89 | 74.58 | Hotel ownership |

Notes:

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

⁽²⁾ These companies are subsidiaries of Regal REIT.

⁽³⁾ These subsidiaries were disposed of during the year.

Except for Regal International (BVI) Holdings Limited, all principal subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

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

The Group had a net loss attributable to owners of the parent of HK\$494.4 million (2020 - HK\$885.9 million) for the year ended 31st December, 2021 and net current assets of HK\$3,379.8 million (2020 - net current liabilities of HK\$3,792.7 million) and net assets of HK\$14,131.3 million (2020 - HK\$15,156.1 million) as at 31st December, 2021. The Group had total non-pledged time deposits, cash and bank balances of HK\$1,881.7 million (2020 - HK\$2,349.0 million) as at 31st December, 2021. The Group also had a positive net cash flows generated from operating activities of HK\$174.3 million (2020 - HK\$1,089.7 million) for the year ended 31st December, 2021.

The financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31st December, 2021, after taking into consideration the following:

- (i) the estimated cash flows of the Group for the next twelve months from the end of the reporting period;
- (ii) the available unutilised banking facilities of the Group; and
- (iii) the refinancing concluded by the Group during the reporting period for certain interest bearing bank borrowings that are secured by certain properties as disclosed in the section headed "Management Discussion and Analysis" in this Annual Report.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | <i>Interest Rate Benchmark Reform – Phase 2</i> |
| Amendment to HKFRS 16 | <i>Covid-19-Related Rent Concessions</i> |

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and the European dollars based on Euro Interbank Offered Rate ("EURIBOR") as at 31st December, 2021. The Group expects that HIBOR and EURIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based and EURIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30th June, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The Group has not applied the practical expedient to any rent concessions granted by the lessors as a direct consequence of the COVID-19 pandemic. Accordingly, the adoption of the amendment has had no significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

| | |
|---|---|
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework</i> ² |
| Amendments to HKFRS 10 and HKAS 28 (2011) | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴ |
| Amendment to HKFRS 16 | <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> ¹ |
| HKFRS 17 | <i>Insurance Contracts</i> ³ |
| Amendments to HKFRS 17 | <i>Insurance Contracts</i> ^{3, 6} |
| Amendment to HKFRS 17 | <i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ² |
| Amendments to HKAS 1 | <i>Classification of Liabilities as Current or Non-current</i> ^{3, 5} |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> ³ |
| Amendments to HKAS 8 | <i>Disclosure of Accounting Estimates</i> ³ |
| Amendments to HKAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ³ |
| Amendments to HKAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> ² |
| Amendments to HKAS 37 | <i>Onerous Contracts - Cost of Fulfilling a Contract</i> ² |
| <i>Annual Improvements to HKFRSs 2018-2020</i> | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ² |

¹ Effective for annual periods beginning on or after 1st April, 2021

² Effective for annual periods beginning on or after 1st January, 2022

³ Effective for annual periods beginning on or after 1st January, 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1st January, 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1st January, 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30th June, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1st April, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment is not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1st January, 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1st January, 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1st January, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1st January, 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1st January, 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1st January, 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1st January, 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

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

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

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

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

(b) Investments in associates and joint ventures

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

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

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

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

(c) Fair value measurement

The Group measures its investment properties, derivative financial instruments and certain investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(d) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties held for sale, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

(e) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress and properties under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|-----------------------------------|--|
| Hotel buildings | Over the shorter of 40 years and the remaining lease terms |
| Leasehold properties | Over the shorter of 40 years and the remaining lease terms |
| Leasehold improvements | Over the shorter of the remaining lease terms and 10% to 20% |
| Furniture, fixtures and equipment | 10% to 25% |
| motor vehicles | 25% |
| Aircraft | Over the remaining lease terms |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Properties under construction are stated at cost less any impairment losses and are not depreciated. Cost comprises land costs, direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Properties under construction are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(f) Investment properties

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

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

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

(g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The Group's intangible assets represent passenger service licences with indefinite useful lives, which are stated at cost less any impairment loss. Passenger service licences are regarded to have indefinite useful lives as they are renewable on a periodic basis with the appropriate authority and there is no foreseeable limit to the number of renewals and the period over which these assets are expected to generate cash flows for the Group.

(h) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade debtors that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debtors that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(i) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade debtors which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade debtors that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(j) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(k) Financial liabilities*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings and payables, as appropriate.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECLs allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

(l) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(m) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(n) Derivative financial instruments*Initial recognition and subsequent measurement*

The Group purchased derivative financial instruments, such as foreign currency forward contracts and put options, for trading purpose. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Current versus non-current classification

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

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs expected to be incurred to disposal.

(p) Properties held for sale

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value on an individual property basis. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices.

(q) Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, direct costs of construction, applicable borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to properties held for sale.

(r) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Hotel operations and management services

Revenue from the provision of hotel operations and management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from food and beverage operations of hotels is recognised at the point in time when the control of food and beverage products is transferred to the customer, generally upon purchase of the food and beverage items by the customer.

Loyalty point programmes

The Group's hotel operation segment operates loyalty point programmes which allow customers to accumulate points when they patronise the Group's hotels. The points can be redeemed for future spending in the hotels or other gifts. The loyalty point programmes give rise to a separate performance obligation because they provide a material right to the customers. Contract liabilities are recognised on the loyalty point programmes.

(ii) Sale of properties

Revenue from the sale of properties is recognised at the point in time when the control of the assets is transferred to the buyer, generally on the delivery of the properties.

(iii) Revenue from other operations

- Revenue from the sale of food products is recognised at the point in time when the control of the food products is transferred to the customers, generally on the delivery of the food products.
- Revenue from restaurant operation is recognised at the point in time when the control of the food and beverage products is transferred to the customer, generally upon purchase of the food and beverage items by the customer.
- Revenue from housekeeping services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.
- Revenue from the provision of estate management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Net gain or loss from the sale of investments at fair value through profit or loss is recognised on the transaction dates when the relevant contract notes are exchanged.

Other income

Income from maintenance reserves released is recognised when the Group's obligation to make any further reimbursements in relation to the aircraft maintenance is extinguished.

Income from reimbursement of lease payments is recognised when the right to receive payment has been established.

(s) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

(t) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the average exchange rates for the year.

(u) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/ jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(v) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets, which include leasehold land, leased properties and other equipment, are depreciated on a straight-line basis over the underlying lease terms.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(ii) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of other equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

(w) Employee benefits

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the relevant central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(x) 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.

(y) 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.

(z) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Interest is capitalised at the interest rates related to specific development project borrowings. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(aa) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividend is simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividend. Consequently, interim dividend is recognised immediately as a liability when it is proposed and declared.

(ab) 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.

(ac) Perpetual securities

Perpetual securities with no contracted obligation to repay their principal or to pay any distribution are classified as part of equity.

(ad) Maintenance reserves

The cost of aircraft maintenance, repairs, overhauls and compliance with return conditions for aircraft on operating leases are paid for by the lessee. For major airframe, engine and other maintenance events, the lessee will be required to make a maintenance contribution payment to the lessor. Certain lease agreements require the lessee to make the maintenance contribution payments on a monthly basis while other leases require the lessee to make the maintenance contribution payment in the form of a return compensation payment at the end of the lease. Upon receipt by the Group, these monthly and end of lease maintenance payments are accounted for as maintenance reserve liabilities because the Group generally reimburses the lessee or a subsequent lessee out of the payments the Group received when the Group is satisfied that the qualifying major maintenance event has been performed. At termination or expiry of a lease, maintenance reserve liabilities for the aircraft which have not been reimbursed to the lessee will typically continue to remain as maintenance reserve liabilities. Any shortfall that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee, or any surplus, will be charged or released to the statement of profit or loss. Upon sale of an aircraft, the maintenance reserve liability for that aircraft which is not transferred to the buyer will be released to the statement of profit or loss.

If a lease requires the lessee to pay return compensation payments at the end of the lease, certain lessees are required to secure all or a portion of that obligation by a cash deposit or letter of credit. In some cases, the monthly maintenance payments or end of lease return compensation payments may be replaced by commitments from a third party, typically the original equipment manufacturer or an affiliate, which provides flight hour-based support to the lessee.

(ae) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Judgements

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

Property lease classification - Group as lessor

The Group has entered into commercial property/aircraft leases on its investment property/aircraft portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties/aircraft which are leased out and accounts for the contracts as operating leases.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

Classification between investment properties and owner-occupied properties

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

Income taxes

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31st December, 2021 was HK\$605.3 million (2020 - HK\$900.6 million). Further details, including the key assumptions used for fair value measurements are given in note 14 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the carryforward of unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets and related taxable profit projections are reviewed at the end of each reporting period. The carrying value of gross deferred tax assets relating to recognised tax losses at 31st December, 2021 was HK\$53.9 million (2020 - HK\$56.8 million). The amount of unrecognised deferred tax assets in respect of tax losses at 31st December, 2021 was HK\$773.0 million (2020 - HK\$669.3 million). Further details are contained in note 32 to the financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade debtors

The Group uses a provision matrix to calculate ECLs for trade debtors. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product/service type and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., GDP) are expected to deteriorate over the next year which can lead to an increased number of defaults in the hotel sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade debtors is disclosed in note 21 to the financial statements.

Provision for expected credit losses on other financial assets at amortised cost

The measurement of impairment losses under HKFRS 9 on other financial assets at amortised cost requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also forward-looking analysis.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Depreciation of property, plant and equipment – aircraft

Aircraft are depreciated on the straight-line basis at rates which are calculated to write down the costs to their estimated residual values at the end of their operational lives. Certain estimates regarding the operational lives and residual values of the aircraft are made by the Group based on industry practice and internal technical valuation. The operational life and residual value are reviewed at least on an annual basis. The carrying amount of the Group’s aircraft as at 31st December, 2021 was HK\$327.3 million (2020 - HK\$345.1 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;
- (b) the asset management segment engages in the provision of asset management services to Regal REIT;
- (c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;
- (d) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;
- (e) the aircraft ownership and leasing segment* engages in the aircraft ownership and leasing for rental and interest income; and
- (f) the others segment mainly comprises sale of food products, operation and management of restaurants, operation of security storage lounge, the provision of housekeeping and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

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

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

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

* The Group owns a fleet of 3 passenger aircraft comprising two Airbus A320-232 and one Airbus A319-133 with a net carrying amount of HK\$327.3 million and average lease rental yield ranging from 8.6% to 8.9%.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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, 2021 and 2020:

| | Hotel operation and management and hotel ownership | | | | | | | | | | | | Consolidated | | | | |
|--|--|--------------|-------------------------------------|-------------|------------------------------|-------------|--------------------------------|---------------|-------------|-------------|--------------|-------------|----------------|----------------|----------------|----------------|--|
| | Asset management | | Property development and investment | | Financial assets investments | | Aircraft ownership and leasing | | Others | | Eliminations | | 2021 | | 2020 | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| 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 | HK\$'m | |
| Segment revenue (Note 5): | | | | | | | | | | | | | | | | | |
| Sales to external customers | 875.5 | 646.6 | - | - | 10.6 | 10.3 | 27.2 | (37.8) | 27.6 | 36.4 | 45.7 | 23.2 | - | - | 986.6 | 678.7 | |
| Intersegment sales | 4.4 | 4.5 | 86.1 | 93.9 | 3.7 | 4.9 | - | - | - | - | 120.1 | 71.7 | (214.3) | (175.0) | - | - | |
| Total | 879.9 | 651.1 | 86.1 | 93.9 | 14.3 | 15.2 | 27.2 | (37.8) | 27.6 | 36.4 | 165.8 | 94.9 | (214.3) | (175.0) | 986.6 | 678.7 | |
| Segment results before depreciation | 119.6 | (65.9) | (13.5) | (11.6) | 56.1 | 118.5 | 128.8 | 149.3 | 1.4 | (4.5) | 1.7 | 7.6 | - | - | 294.1 | 193.4 | |
| Depreciation | (521.1) | (500.4) | - | (0.4) | (4.9) | (6.4) | - | - | (8.0) | (11.8) | (3.1) | (3.5) | - | - | (537.1) | (522.5) | |
| Segment operating results | (401.5) | (566.3) | (13.5) | (12.0) | 51.2 | 112.1 | 128.8 | 149.3 | (6.6) | (16.3) | (1.4) | 4.1 | - | - | (243.0) | (329.1) | |
| Unallocated interest income and unallocated non-operating and corporate gains | | | | | | | | | | | | | | | 12.5 | 20.8 | |
| Unallocated non-operating and corporate expenses, net | | | | | | | | | | | | | | | (79.0) | (49.5) | |
| Finance costs (other than interest on lease liabilities) | | | | | | | | | | | | | | | (266.4) | (289.3) | |
| Share of profits and losses of: | | | | | | | | | | | | | | | | | |
| Joint ventures | - | - | - | - | 31.3 | (236.1) | - | - | - | - | - | - | - | - | 31.3 | (236.1) | |
| Associates | - | - | - | - | (1.2) | (0.5) | - | - | - | - | - | (0.2) | - | - | (1.2) | (0.7) | |
| Loss before tax | | | | | | | | | | | | | | | (545.8) | (883.9) | |
| Income tax | | | | | | | | | | | | | | | 18.2 | (12.9) | |
| Loss for the year before allocation between equity holders of the parent and non-controlling interests | | | | | | | | | | | | | | | (527.6) | (896.8) | |
| Attributable to: | | | | | | | | | | | | | | | | | |
| Equity holders of the parent | | | | | | | | | | | | | | | (494.4) | (885.9) | |
| Non-controlling interests | | | | | | | | | | | | | | | (33.2) | (10.9) | |
| | | | | | | | | | | | | | | | (527.6) | (896.8) | |

| | Hotel operation and management and hotel ownership | | Asset management | | Property development and investment | | Financial assets investments | | Aircraft ownership and leasing | | Others | | Eliminations | | Consolidated | |
|--|--|----------------|------------------|--------------|-------------------------------------|----------------|------------------------------|---------------|--------------------------------|---------------|---------------|--------------|--------------|-------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m | HK\$m |
| Segment assets | 19,183.0 | 19,227.4 | 30.0 | 31.3 | 3,052.4 | 3,269.6 | 2,724.9 | 2,755.4 | 330.5 | 347.9 | 18.8 | 19.8 | (29.3) | (32.2) | 25,310.3 | 25,619.2 |
| Investments in joint ventures | - | - | - | - | 3,161.2 | 4,010.1 | - | - | - | - | - | - | - | - | 3,161.2 | 4,010.1 |
| Investments in associates | - | - | - | - | 3.4 | 4.6 | - | - | - | - | 5.5 | 6.7 | - | - | 8.9 | 11.3 |
| Cash and unallocated assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,315.5 | 2,818.7 |
| Total assets | (518.7) | (288.8) | (1.5) | (1.0) | (82.4) | (46.0) | (0.4) | (21.5) | (66.2) | (65.4) | (16.3) | (9.7) | 29.3 | 32.2 | (656.2) | (400.2) |
| Segment liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest bearing bank borrowings and unallocated liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (16,008.4) | (16,903.0) |
| Total liabilities | - | - | - | - | (64.4) | (146.1) | (9.1) | (43.0) | - | - | - | - | - | - | (16,664.6) | (17,303.2) |
| Other segment information: | | | | | | | | | | | | | | | | |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (73.5) | (189.1) |
| Reimbursement of lease payments in connection with undertaking provided by a joint venture | (55.9) | (57.1) | - | - | - | - | - | - | - | - | - | - | - | - | (55.9) | (57.1) |
| Impairment of trade debtors, net | 2.1 | 8.2 | - | - | - | - | - | - | 3.8 | 7.2 | - | (1.9) | - | - | 5.9 | 13.5 |
| Fair value gains on financial assets at fair value through profit or loss, net | - | - | - | - | - | - | - | (94.9) | - | - | - | - | - | - | (94.9) | (159.8) |
| Fair value (gains)/losses on investment properties | (10.4) | 45.9 | - | - | (1.2) | 27.0 | - | - | - | - | - | - | - | - | (11.6) | 72.9 |
| Gain on disposal of investment properties | - | - | - | - | (4.0) | - | - | - | - | - | - | - | - | - | (4.0) | - |
| Impairment loss on items of property, plant and equipment | - | 60.1 | - | - | - | - | - | - | 11.7 | 30.0 | - | - | - | - | 11.7 | 90.1 |
| Capital expenditure | 500.5 | 835.5 | - | - | 4.4 | 11.0 | - | - | - | - | 1.5 | 0.4 | - | - | 506.4 | 846.9 |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Geographical information

(a) Revenue from external customers

| | 2021 HK\$'million | 2020 HK\$'million |
|----------------|------------------------------------|------------------------------------|
| Hong Kong | 948.2 | 636.4 |
| Mainland China | 4.3 | 4.7 |
| Other | 34.1 | 37.6 |
| | 986.6 | 678.7 |

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

| | 2021 HK\$'million | 2020 HK\$'million |
|----------------|------------------------------------|------------------------------------|
| Hong Kong | 21,122.3 | 23,152.9 |
| Mainland China | 1,870.6 | 1,014.5 |
| Other | 692.2 | 712.7 |
| | 23,685.1 | 24,880.1 |

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

Information about major customer

No further information about major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

| | 2021 HK\$'million | 2020 HK\$'million |
|--|----------------------|----------------------|
| <u>Revenue</u> | | |
| <i>Revenue from contracts with customers</i> | | |
| Hotel operations and management services | 812.3 | 585.3 |
| Other operations | 50.7 | 27.3 |
| | <u>863.0</u> | <u>612.6</u> |
| <i>Revenue from other sources</i> | | |
| Rental income: | | |
| Hotel properties | 52.7 | 56.8 |
| Investment properties | 12.5 | 7.1 |
| Aircraft | 27.6 | 36.4 |
| Others | 2.7 | 2.7 |
| Gain/(loss) from sale of financial assets at fair value through profit or loss, net | 12.1 | (87.9) |
| Gain on settlement of derivative financial instruments | 1.4 | 0.5 |
| Interest income from financial assets at fair value through profit or loss | 8.7 | 41.4 |
| Dividend income from listed investments | 5.0 | 8.2 |
| Other operations | 0.9 | 0.9 |
| | <u>986.6</u> | <u>678.7</u> |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Revenue from contracts with customers

(i) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers and the reconciliation with the operating segment information:

| For the year ended 31st December, 2021 | | | | |
|---|--|---|------------------------|-----------------------|
| Segments | Hotel operation and management and hotel ownership HK\$'million | Property development and investment HK\$'million | Others HK\$'million | Total HK\$'million |
| Types of goods or services | | | | |
| Hotel operations and management services | | | | |
| Hotel operations | 806.8 | – | – | 806.8 |
| Management services | 5.5 | – | – | 5.5 |
| Other operations | – | 5.9 | 44.8 | 50.7 |
| Total revenue from contracts with customers | <u>812.3</u> | <u>5.9</u> | <u>44.8</u> | <u>863.0</u> |
| Geographical markets | | | | |
| Hong Kong | 808.0 | 5.9 | 44.8 | 858.7 |
| Mainland China | 4.3 | – | – | 4.3 |
| Total revenue from contracts with customers | <u>812.3</u> | <u>5.9</u> | <u>44.8</u> | <u>863.0</u> |
| Timing of revenue recognition | | | | |
| At a point in time | 251.7 | – | 2.3 | 254.0 |
| Over time | 560.6 | 5.9 | 42.5 | 609.0 |
| Total revenue from contracts with customers | <u>812.3</u> | <u>5.9</u> | <u>44.8</u> | <u>863.0</u> |

For the year ended 31st December, 2020

| Segments | Hotel operation and management and hotel ownership HK\$'million | Property development and investment HK\$'million | Others HK\$'million | Total HK\$'million |
|---|---|--|------------------------|-----------------------|
| Types of goods or services | | | | |
| Hotel operations and management services | | | | |
| Hotel operations | 580.0 | – | – | 580.0 |
| Management services | 5.3 | – | – | 5.3 |
| Other operations | – | 5.0 | 22.3 | 27.3 |
| Total revenue from contracts with customers | <u>585.3</u> | <u>5.0</u> | <u>22.3</u> | <u>612.6</u> |
| Geographical markets | | | | |
| Hong Kong | 580.6 | 5.0 | 22.3 | 607.9 |
| Mainland China | 4.7 | – | – | 4.7 |
| Total revenue from contracts with customers | <u>585.3</u> | <u>5.0</u> | <u>22.3</u> | <u>612.6</u> |
| Timing of revenue recognition | | | | |
| At a point in time | 169.3 | – | 0.8 | 170.1 |
| Over time | 416.0 | 5.0 | 21.5 | 442.5 |
| Total revenue from contracts with customers | <u>585.3</u> | <u>5.0</u> | <u>22.3</u> | <u>612.6</u> |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

| For the year ended 31st December, 2021 | | | | |
|--|--|---|------------------------|-----------------------|
| Segments | Hotel operation and management and hotel ownership HK\$'million | Property development and investment HK\$'million | Others HK\$'million | Total HK\$'million |
| Revenue from contracts with customers | | | | |
| External customers | 812.3 | 5.9 | 44.8 | 863.0 |
| Intersegment sales | – | – | 120.1 | 120.1 |
| | <u>812.3</u> | <u>5.9</u> | <u>164.9</u> | <u>983.1</u> |
| Intersegment adjustments and eliminations | – | – | (120.1) | (120.1) |
| Total revenue from contracts with customers | <u>812.3</u> | <u>5.9</u> | <u>44.8</u> | <u>863.0</u> |

| For the year ended 31st December, 2020 | | | | |
|--|--|---|------------------------|-----------------------|
| Segments | Hotel operation and management and hotel ownership HK\$'million | Property development and investment HK\$'million | Others HK\$'million | Total HK\$'million |
| Revenue from contracts with customers | | | | |
| External customers | 585.3 | 5.0 | 22.3 | 612.6 |
| Intersegment sales | – | – | 71.7 | 71.7 |
| | <u>585.3</u> | <u>5.0</u> | <u>94.0</u> | <u>684.3</u> |
| Intersegment adjustments and eliminations | – | – | (71.7) | (71.7) |
| Total revenue from contracts with customers | <u>585.3</u> | <u>5.0</u> | <u>22.3</u> | <u>612.6</u> |

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

| | 2021 HK\$'million | 2020 HK\$'million |
|--|----------------------|----------------------|
| Hotel operations and management services | <u>53.6</u> | <u>43.3</u> |

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Hotel operations and management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Hotel management service contracts are for periods of one year or less, or are billed based on the time incurred.

The performance obligation of food and beverage operations of hotels is satisfied when the control of the food and beverage products is transferred, being at the point when the customer purchases the food and beverage items at the food and beverage operations. Payment of the transaction is due immediately at the point when the customer purchases the food and beverage.

Sale of properties

The performance obligation is satisfied upon delivery of the properties. Customers generally purchased and paid the customer deposit according to terms and conditions of the relevant sale and purchase agreements before delivery of the properties. The transaction prices were adjusted to reflect the effects of the time value of money and the significant benefit of financing.

Sale of food products

The performance obligation is satisfied upon delivery of the food products and payment is generally due within 30 to 90 days from delivery.

Revenue from restaurant operation

The performance obligation is satisfied when the control of the food and beverage products is transferred, being at the point when the customer purchases the food and beverage items at the restaurants. Payment of the transaction is due immediately at the point when the customer purchases the food and beverage.

Revenue from housekeeping services

The performance obligation is satisfied over time as services are rendered. Housekeeping service contracts are for periods of one year or less, or are billed based on the time incurred.

Revenue from provision of estate management services

The performance obligation is satisfied over time as services are rendered. Estate management services contracts are for periods of one year or less, or are billed based on the time incurred.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31st December are as follows:

| | 2021 HK\$'million | 2020 HK\$'million |
|-----------------|----------------------|----------------------|
| Within one year | <u>127.7</u> | <u>53.6</u> |

All performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

| | 2021 HK\$'million | 2020 HK\$'million |
|---|----------------------|----------------------|
| <u>Other income and gains, net</u> | | |
| Bank interest income | 11.0 | 19.5 |
| Other interest income | 65.5 | 148.0 |
| Gain on disposal of investment properties | 4.0 | – |
| Loss on disposal of unlisted investments included in financial assets at fair value through profit or loss | (9.8) | (12.6) |
| Dividend income from unlisted investments | 17.5 | 40.7 |
| Reimbursement of lease payments in connection with undertaking provided by a joint venture | 55.9 | 57.1 |
| Others | 33.0 | 17.3 |
| | <u>177.1</u> | <u>270.0</u> |

6. LOSS BEFORE TAX

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

| | 2021 HK\$'million | 2020 HK\$'million |
|---|----------------------|----------------------|
| Cost of inventories sold and services provided | 751.1 | 592.9 |
| Depreciation of property, plant and equipment | 300.8 | 289.0 |
| Depreciation of right-of-use assets | 236.3 | 233.5 |
| Foreign exchange differences, net | (4.0) | (23.4) |
| Impairment of trade debtors, net | 5.9 | 13.5 |
| Impairment loss on items of property, plant and equipment** | 11.7 | 90.1 |
| Employee benefit expense# (exclusive of directors' remuneration disclosed in note 8): | | |
| Salaries, wages and allowances | 431.2 | 312.6 |
| Staff retirement scheme contributions | 19.8 | 19.8 |
| Less: Forfeited contributions | (0.7) | (2.9) |
| Net staff retirement scheme contributions | 19.1 | 16.9 |
| | 450.3 | 329.5 |
| Fair value losses/(gains) on financial assets at fair value through profit or loss, net | | |
| – mandatorily classified as such, including those held for trading | (68.6) | (162.9) |
| – derivative instruments – transactions not qualifying as hedges | (26.3) | 3.1 |
| | (94.9) | (159.8) |
| Lease payment not included in the measurement of lease liabilities (note 15(a)(iii)) | 4.9 | 2.0 |
| Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties | 2.8 | 3.0 |
| Auditor's remuneration | 7.2 | 7.0 |
| Government subsidies* (included in cost of sales and administrative expenses) | (9.5) | (98.9) |

Inclusive of an amount of HK\$366.8 million (2020 - HK\$260.5 million) classified under cost of inventories sold and services provided.

* The Government subsidies were granted under the Anti-epidemic Fund during the year. There are no unfulfilled conditions relating to these grants.

** Inclusive of impairment loss of right-of-use assets amounted to HK\$46.9 million during the year ended 31st December, 2020 (note 15).

7. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2021 HK\$'million | 2020 HK\$'million |
|--|----------------------|----------------------|
| Interest on bank loans | 189.2 | 263.6 |
| Interest on other borrowing | 58.6 | 107.1 |
| Interest on lease liabilities | 0.4 | 0.9 |
| Interest expenses arising from revenue contracts | 0.1 | – |
| Amortisation of debt establishment costs | 36.8 | 32.5 |
| Total interest expenses on financial liabilities not at fair value through profit or loss | 285.1 | 404.1 |
| Other loan costs | 7.4 | 8.5 |
| | 292.5 | 412.6 |
| Less: Finance costs capitalised | (25.7) | (122.5) |
| | <u>266.8</u> | <u>290.1</u> |

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:

| | 2021 HK\$'million | 2020 HK\$'million |
|---|----------------------|----------------------|
| Fees | 3.6 | 3.6 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 22.0 | 21.2 |
| Performance related/discretionary bonuses | 1.3 | – |
| Staff retirement scheme contributions | 1.6 | 1.4 |
| | <u>28.5</u> | <u>26.2</u> |

(a) Non-executive directors

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

| | 2021 HK\$'million | 2020 HK\$'million |
|--------------------------------------|----------------------|----------------------|
| Non-executive director: | | |
| Dr. Francis Choi Chee Ming, GBS, JP | 0.25 | 0.25 |
| Independent non-executive directors: | | |
| Ms. Alice Kan Lai Kuen | 0.35 | 0.35 |
| Professor Japhet Sebastian Law | 0.25 | 0.25 |
| Ms. Winnie Ng, JP | 0.35 | 0.35 |
| Mr. Wong Chi Keung | 0.40 | 0.40 |
| | <u>1.60</u> | <u>1.60</u> |

For the year ended 31st December, 2021, Directors' fees entitled by the non-executive director and the independent non-executive directors of the Company also included a fee for serving as a member of each of the Audit Committee (HK\$0.15 million per annum and HK\$0.1 million per annum as its chairman and a member, respectively), the Nomination Committee (HK\$0.05 million per annum) and the Remuneration Committee (HK\$0.05 million per annum) of the Company, where applicable, amounting to HK\$1.60 million (2020 - HK\$1.60 million, which also included fees for serving as members of the Board Committees).

There were no other emoluments payable to the non-executive director and independent non-executive directors during the year (2020 - Nil).

NOTES TO FINANCIAL STATEMENTS (Cont'd)

(b) Executive directors

| | Fees HK\$'million (Notes) | Salaries, allowances and benefits in kind HK\$'million | Performance related/ discretionary bonuses HK\$'million | Staff retirement scheme contributions HK\$'million | Total remuneration HK\$'million |
|---------------------------|---------------------------------|--|---|--|---------------------------------------|
| 2021 | | | | | |
| Mr. Lo Yuk Sui | 0.40 | 8.34 | 0.45 | 0.54 | 9.73 |
| Miss Lo Po Man | 0.30 | 4.26 | 0.15 | 0.19 | 4.90 |
| Ms. Belinda Yeung Bik Yiu | 0.15 | 2.94 | 0.25 | 0.29 | 3.63 |
| Mr. Donald Fan Tung | 0.30 | 1.16 | 0.10 | 0.12 | 1.68 |
| Mr. Jimmy Lo Chun To | 0.30 | 2.20 | 0.10 | 0.11 | 2.71 |
| Mr. Kenneth Ng Kwai Kai | 0.40 | 1.88 | 0.16 | 0.19 | 2.63 |
| Mr. Allen Wan Tze Wai | 0.15 | 1.24 | 0.10 | 0.12 | 1.61 |
| | <u>2.00</u> | <u>22.02</u> | <u>1.31</u> | <u>1.56</u> | <u>26.89</u> |
| 2020 | | | | | |
| Mr. Lo Yuk Sui | 0.40 | 8.54 | – | 0.48 | 9.42 |
| Miss Lo Po Man | 0.30 | 4.06 | – | 0.16 | 4.52 |
| Ms. Belinda Yeung Bik Yiu | 0.15 | 2.65 | – | 0.27 | 3.07 |
| Mr. Donald Fan Tung | 0.30 | 1.05 | – | 0.10 | 1.45 |
| Mr. Jimmy Lo Chun To | 0.30 | 2.08 | – | 0.10 | 2.48 |
| Mr. Kenneth Ng Kwai Kai | 0.40 | 1.70 | – | 0.16 | 2.26 |
| Mr. Allen Wan Tze Wai | 0.15 | 1.13 | – | 0.11 | 1.39 |
| | <u>2.00</u> | <u>21.21</u> | <u>–</u> | <u>1.38</u> | <u>24.59</u> |

Notes:

For the years ended 31st December, 2021 and 2020, the fees entitled by:

- Mr. Lo Yuk Sui also included (i) a fee of HK\$0.05 million per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company; and (ii) a fee of HK\$0.15 million per annum for serving as a non-executive director of Regal Portfolio Management Limited ("RPML") (the manager of Regal REIT).
- Miss Lo Po Man, Mr. Donald Fan Tung and Mr. Jimmy Lo Chun To also included a fee of HK\$0.15 million per annum entitled by each of these Directors for serving as a non-executive director of RPML.
- Mr. Kenneth Ng Kwai Kai also included a fee of HK\$0.15 million per annum for serving as a non-executive director of RPmL and a fee of HK\$0.1 million per annum for serving as a member of the audit committee of RPML.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2020 - Nil).

9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals during the year included five (2020 - five) Directors, details of whose remuneration are disclosed in note 8 to the financial statements.

10. INCOME TAX

| | 2021 HK\$'million | 2020 HK\$'million |
|--|----------------------|----------------------|
| Current – Hong Kong | | |
| Charge for the year | 32.3 | 53.5 |
| Overprovision in prior years | – | (0.2) |
| Current – Overseas | | |
| Charge for the year | 0.2 | 1.2 |
| Underprovision in prior years | – | 0.5 |
| Deferred (note 32) | (50.7) | (42.1) |
| Total tax charge/(credit) for the year | <u>(18.2)</u> | <u>12.9</u> |

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2020 - 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 credit applicable to loss before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

| | 2021 HK\$'million | 2020 HK\$'million |
|--|----------------------|----------------------|
| Loss before tax | <u>(545.8)</u> | <u>(883.9)</u> |
| Tax at the Hong Kong statutory tax rate of 16.5% (2020 - 16.5%) | (90.1) | (145.8) |
| Adjustments in respect of current tax of previous years | – | 0.3 |
| Profits and losses attributable to joint ventures and associates | (5.0) | 39.1 |
| Higher tax rates of other jurisdictions | – | 0.7 |
| Income not subject to tax | (69.0) | (87.6) |
| Expenses not deductible for tax | 56.2 | 55.5 |
| Tax losses utilised from previous years | (14.4) | (14.5) |
| Tax losses not recognised during the year | 107.6 | 167.1 |
| Others | (3.5) | (1.9) |
| Tax charge/(credit) at the Group's effective rate | <u>(18.2)</u> | <u>12.9</u> |

The share of tax charge attributable to a joint venture amounting to HK\$116.3 million (2020 - HK\$5.4 million) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31st December, 2021, nor has any dividend been proposed since the end of the reporting period (2020 - Nil).

12. LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT**(a) Basic loss per ordinary share**

The calculation of the basic loss per ordinary share is based on the loss for the year attributable to equity holders of the parent of HK\$494.4 million (2020 - HK\$885.9 million), adjusted for the distribution related to perpetual securities of HK\$113.6 million (2020 - HK\$113.4 million), and on the weighted average of 898.8 million (2020 - 898.8 million) ordinary shares of the Company in issue during the year.

(b) Diluted loss per ordinary share

No adjustment was made to the basic loss per ordinary share for the years ended 31st December, 2021 and 2020 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

13. PROPERTY, PLANT AND EQUIPMENT

| | Hotel buildings HK\$'million | Leasehold properties HK\$'million | Property under construction HK\$'million | Leasehold improvements HK\$'million | Furniture, fixtures and equipment HK\$'million | Motor vehicles HK\$'million | Aircraft HK\$'million | Construction in progress HK\$'million | Total HK\$'million |
|--|------------------------------------|---|---|---|--|-----------------------------------|--------------------------|---|-----------------------|
| 31st December, 2021 | | | | | | | | | |
| At 1st January, 2021: | | | | | | | | | |
| Cost | 5,266.6 | 51.6 | 4,454.2 | 579.8 | 431.6 | 5.1 | 417.1 | 15.6 | 11,221.6 |
| Accumulated depreciation and impairment | (1,839.6) | (9.2) | — | (355.0) | (345.1) | (4.2) | (72.0) | — | (2,625.1) |
| Net carrying amount | <u>3,427.0</u> | <u>42.4</u> | <u>4,454.2</u> | <u>224.8</u> | <u>86.5</u> | <u>0.9</u> | <u>345.1</u> | <u>15.6</u> | <u>8,596.5</u> |
| At 1st January, 2021, net of accumulated depreciation and impairment | 3,427.0 | 42.4 | 4,454.2 | 224.8 | 86.5 | 0.9 | 345.1 | 15.6 | 8,596.5 |
| Reclassification | — | — | — | — | 1.1 | — | — | (1.1) | — |
| Additions | — | — | 468.0 | 2.0 | 42.5 | 1.3 | — | 9.7 | 523.5 |
| Transfer upon completion of properties under construction | 2,208.3 | — | (4,676.7) | — | — | — | — | — | (2,468.4) |
| Transfer to properties held for sales | — | (12.7) | — | (0.2) | — | — | — | — | (12.9) |
| Depreciation provided during the year | (194.0) | (1.4) | — | (60.2) | (36.5) | (0.7) | (8.0) | — | (300.8) |
| Impairment | — | — | — | — | — | — | (11.7) | — | (11.7) |
| Exchange realignment | — | — | (0.9) | — | — | — | 1.9 | — | 1.0 |
| At 31st December, 2021, net of accumulated depreciation and impairment | <u>5,441.3</u> | <u>28.3</u> | <u>244.6</u> | <u>166.4</u> | <u>93.6</u> | <u>1.5</u> | <u>327.3</u> | <u>24.2</u> | <u>6,327.2</u> |
| At 31st December, 2021: | | | | | | | | | |
| Cost | 7,474.9 | 35.9 | 244.6 | 581.0 | 474.8 | 6.4 | 419.5 | 24.2 | 9,261.3 |
| Accumulated depreciation and impairment | (2,033.6) | (7.6) | — | (414.6) | (381.2) | (4.9) | (92.2) | — | (2,934.1) |
| Net carrying amount | <u>5,441.3</u> | <u>28.3</u> | <u>244.6</u> | <u>166.4</u> | <u>93.6</u> | <u>1.5</u> | <u>327.3</u> | <u>24.2</u> | <u>6,327.2</u> |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

| | Hotel buildings HK\$'million | Leasehold properties HK\$'million | Property under construction HK\$'million | Leasehold improvements HK\$'million | Furniture, fixtures and equipment HK\$'million | Motor vehicles HK\$'million | Aircraft HK\$'million | Construction in progress HK\$'million | Total HK\$'million |
|---|------------------------------------|---|---|---|--|-----------------------------------|--------------------------|---|-----------------------|
| 31st December, 2020 | | | | | | | | | |
| At 1st January, 2020: | | | | | | | | | |
| Cost | 5,266.6 | 51.6 | 3,527.4 | 539.3 | 412.7 | 5.1 | 418.9 | 33.8 | 10,255.4 |
| Accumulated depreciation | (1,638.2) | (7.6) | — | (306.5) | (307.0) | (3.4) | (30.3) | — | (2,293.0) |
| Net carrying amount | <u>3,628.4</u> | <u>44.0</u> | <u>3,527.4</u> | <u>232.8</u> | <u>105.7</u> | <u>1.7</u> | <u>388.6</u> | <u>33.8</u> | <u>7,962.4</u> |
| At 1st January, 2020, net of accumulated | | | | | | | | | |
| depreciation | 3,628.4 | 44.0 | 3,527.4 | 232.8 | 105.7 | 1.7 | 388.6 | 33.8 | 7,962.4 |
| Reclassification | — | — | — | 29.4 | — | — | — | (29.4) | — |
| Additions | — | — | 917.0 | 11.1 | 18.9 | — | — | 11.2 | 958.2 |
| Depreciation provided during the year | (188.2) | (1.6) | — | (48.5) | (38.1) | (0.8) | (11.8) | — | (289.0) |
| Impairment | (13.2) | — | — | — | — | — | (30.0) | — | (43.2) |
| Exchange realignment | — | — | 9.8 | — | — | — | (1.7) | — | 8.1 |
| At 31st December, 2020, net of accumulated | | | | | | | | | |
| depreciation and impairment | <u>3,427.0</u> | <u>42.4</u> | <u>4,454.2</u> | <u>224.8</u> | <u>86.5</u> | <u>0.9</u> | <u>345.1</u> | <u>15.6</u> | <u>8,596.5</u> |
| At 31st December, 2020: | | | | | | | | | |
| Cost | 5,266.6 | 51.6 | 4,454.2 | 579.8 | 431.6 | 5.1 | 417.1 | 15.6 | 11,221.6 |
| Accumulated depreciation and impairment | (1,839.6) | (9.2) | — | (355.0) | (345.1) | (4.2) | (72.0) | — | (2,625.1) |
| Net carrying amount | <u>3,427.0</u> | <u>42.4</u> | <u>4,454.2</u> | <u>224.8</u> | <u>86.5</u> | <u>0.9</u> | <u>345.1</u> | <u>15.6</u> | <u>8,596.5</u> |

At 31st December, 2021, the Group's property, plant and equipment and right-of-use assets with net carrying amounts of HK\$5,721.6 million (2020 - HK\$7,980.4 million) and HK\$13,110.0 million (2020 - HK\$10,902.6 million) (note 15), respectively, were pledged to secure banking facilities granted to the Group.

As at 31st December, 2021, the Group's hotel properties under hotel operation included in the hotel buildings and other categories of property, plant and equipment had carrying amounts (before impairment) of HK\$5,454.5 million (2020 - HK\$3,440.2 million) and HK\$249.6 million (2020 - HK\$298.2 million), respectively. The leasehold land of hotel properties is recognised as right-of-use assets with carrying amount (before impairment) of HK\$13,086.5 million (2020 - HK\$10,839.3 million), details of which are set out in note 15 to the financial statements.

As at 31st December, 2020, due to the stringent travel restrictions under the COVID-19 pandemic which had impacted the Group's hotel operations, the recoverable amounts of certain hotel properties of HK\$1,268.0 million were less than the carrying amounts of HK\$373.3 million and HK\$954.8 million included in hotel buildings and right-of-use assets, respectively, as of 31st December, 2020. Accordingly, impairment losses of HK\$13.2 million and HK\$46.9 million in relation to hotel buildings and right-of-use assets of these hotel properties, respectively, was recognised in the consolidated statement of profit or loss during the year ended 31st December, 2020. The recoverable amount was estimated based on the fair value less costs of disposal using discounted cash flow projections, which was estimated based on valuation techniques with significant unobservable inputs and assumptions of market conditions, and based on the valuation conducted by an independent professional qualified valuer. The discount rates adopted in the cash flow projections ranged from 6.0% to 6.25% with an external long-term growth rate of 3%. The fair value measurement of the hotel properties fell within Level 3 of the fair value measurement hierarchy.

As at 31st December, 2021, the Group's carrying amount (before impairment) of aircraft amounted to HK\$369.0 million (2020 - HK\$375.1 million). Given the air passenger traffic was affected globally during the COVID-19 pandemic, with the assistance of an independent professional valuer, management determines the recoverable amount of the aircraft, which is estimated based on the fair value less cost of disposal. Direct comparison method was used to assess the market value of aircraft. As the recoverable amount of two (2020 - one) of the aircraft amounted to HK\$253.9 million (2020 - HK\$79.5 million), which was less than its carrying amount of HK\$265.6 million (2020 - HK\$109.5 million), accordingly, an impairment of HK\$11.7 million (2020 - HK\$30.0 million) was recognised in the consolidated statement of profit or loss during the year ended 31st December, 2021. The fair value measurement of the aircraft falls within Level 2 of the fair value measurement hierarchy.

14. INVESTMENT PROPERTIES

| | 2021 HK\$'million | 2020 HK\$'million |
|----------------------------------|------------------------------------|------------------------------------|
| Carrying amount at 1st January | 900.6 | 1,052.1 |
| Capital expenditure for the year | 1.8 | 2.0 |
| Lease modification | (0.4) | (11.5) |
| Disposal | (299.0) | (81.0) |
| Loss from fair value adjustments | 11.6 | (72.9) |
| Exchange realignment | (9.3) | 11.9 |
| | <hr/> 605.3 <hr/> | <hr/> 900.6 <hr/> |
| Carrying amount at 31st December | | |

The Directors of the Company determined the Group's investment properties into different classes of asset based on the nature, characteristics and risks of each property. The Group's properties included in investment properties were revalued on 31st December, 2021 based on valuations performed by Savills Valuation and Professional Services Limited, CBRE Limited and Colliers International Spain, three independent professionally qualified valuers, at an aggregate valuation amount of HK\$596.3 million. Each year, the Group's management selects the external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management also has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuations are performed for interim and annual financial reporting. Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

At 31st December, 2021, the Group's investment properties with a carrying value of HK\$485.0 million (2020 - HK\$776.0 million) were pledged to secure banking facilities granted to the Group.

Further particulars of the Group's investment properties are included on pages 196 to 198.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's investment properties:

| | Fair value measurement as at 31st December, 2021 using | | | Total HK\$'million |
|------------------------|---|--|--|-----------------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| | HK\$'million | HK\$'million | HK\$'million | |
| | | | | |
| Residential properties | – | – | 343.0 | 343.0 |
| Commercial properties | – | – | 142.0 | 142.0 |
| Hotel properties | – | – | 111.3 | 111.3 |
| Right-of-use assets | – | – | 9.0 | 9.0 |
| | – | – | 605.3 | 605.3 |

| | Fair value measurement as at 31st December, 2020 using | | | Total HK\$'million |
|------------------------|---|--|--|-----------------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| | HK\$'million | HK\$'million | HK\$'million | |
| | | | | |
| Residential properties | – | – | 639.0 | 639.0 |
| Commercial properties | – | – | 137.0 | 137.0 |
| Hotel properties | – | – | 114.5 | 114.5 |
| Right-of-use assets | – | – | 10.1 | 10.1 |
| | – | – | 900.6 | 900.6 |

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 (2020 - Nil).

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

| | Residential properties HK\$'million | Commercial properties HK\$'million | Hotel properties HK\$'million | Right-of-use assets HK\$'million |
|---|---|--|-------------------------------------|--|
| Carrying amount at 1st January, 2020 | 745.0 | 154.0 | 128.2 | 24.9 |
| Capital expenditure for the year | 2.0 | – | – | – |
| Lease modification | – | – | – | (11.5) |
| Disposal | (81.0) | – | – | – |
| Loss from fair value adjustments | (27.0) | (17.0) | (23.7) | (5.2) |
| Exchange realignment | – | – | 10.0 | 1.9 |
| Carrying amount at 31st December, 2020 and 1st January, 2021 | 639.0 | 137.0 | 114.5 | 10.1 |
| Capital expenditure for the year | 1.8 | – | – | – |
| Lease modification | – | – | – | (0.4) |
| Disposal | (299.0) | – | – | – |
| Loss from fair value adjustments | 1.2 | 5.0 | 5.4 | – |
| Exchange realignment | – | – | (8.6) | (0.7) |
| Carrying amount at 31st December, 2021 | 343.0 | 142.0 | 111.3 | 9.0 |

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 | |
|------------------------|-----------------------------|---|--------------------------|--------------------------|
| | | | 2021 | 2020 |
| Residential properties | Sales comparison approach | Estimated market price per square foot | HK\$31,906 to HK\$32,231 | HK\$22,878 to HK\$32,195 |
| Commercial properties | Discounted cash flow method | Capitalisation rate | 3.00% | 3.00% |
| | | Discount rate | 6.00% | 6.00% |
| | | Estimated rental value per square metre per month | HK\$579 to HK\$756 | HK\$554 to HK\$674 |
| Hotel properties | Discounted cash flow method | Capitalisation rate | 6.50% | 6.50% |
| | | Discount rate | 8.0% to 8.7% | 7.4% to 8.3% |
| | | Estimated rental value per square metre per month | Euro 5.28 to Euro 6.55 | Euro 2.39 to Euro 5.98 |
| Right-of-use assets | Discounted cash flow method | Discount rate | 0.41% | 0.04% |
| | | Estimated rental value per month (approximately) | Euro 22,143 | Euro 22,143 |

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

Under the discounted cash flow method for commercial and hotel properties, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

Under the discounted cash flow method for right-for-use assets, fair value is estimated using assumptions regarding the benefits of right-of-use assets over the lease period with the landlord. This method involves the projection of a series of cash flows on the right-of-use assets. A discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the right-of-use assets.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross rental income less expenses. The series of periodic net rental income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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

15. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(a) The Group as a lessee

The Group has lease contracts for various items of leasehold land, leased properties and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners and no ongoing payments will be made under the terms of these land leases. Leases of leased properties generally have lease terms between 1 and 12 years, while other equipment generally has lease terms between 2 and 5 years. Certain equipment has lease terms of 12 months or less and/or is individually of low value. There are several lease contracts that include extension and termination options and variable lease payments.

(i) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | Leasehold land HK\$'million | Leased properties HK\$'million | Other equipment HK\$'million | Total HK\$'million |
|--|-----------------------------------|--------------------------------------|------------------------------------|-----------------------|
| As at 1st January, 2020 | 11,168.6 | 28.7 | 0.4 | 11,197.7 |
| Impairment | (46.9) | – | – | (46.9) |
| Depreciation charge | (219.1) | (14.1) | (0.3) | (233.5) |
| As at 31st December, 2020 and 1st January, 2021 | 10,902.6 | 14.6 | 0.1 | 10,917.3 |
| New leases | 2,468.4 | 0.7 | – | 2,469.1 |
| Modification | – | 19.2 | – | 19.2 |
| Transfer to properties held for sales | (36.2) | – | – | (36.2) |
| Depreciation charge | (224.7) | (11.5) | (0.1) | (236.3) |
| As at 31st December, 2021 | <u>13,110.1</u> | <u>23.0</u> | <u>–</u> | <u>13,133.1</u> |

At 31st December, 2021 and 2020, the Group's leasehold land was pledged to secure banking facilities granted to the Group.

Details of the recoverable amount and impairment loss of leasehold land of certain hotel properties are set out in note 13 to the financial statements.

(ii) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

| | 2021 HK\$'million | 2020 HK\$'million |
|--------------------------------|----------------------|----------------------|
| Carrying amount at 1st January | 27.8 | 53.1 |
| New leases | 0.7 | 1.5 |
| Modification | 18.4 | (13.3) |
| Interest expenses | 0.4 | 0.9 |
| Payments | (14.4) | (16.5) |
| Exchange realignment | (0.8) | 2.1 |
| | <u>32.1</u> | <u>27.8</u> |
| Analysed into: | | |
| Current portion | 10.6 | 12.0 |
| Non-current portion | 21.5 | 15.8 |
| | <u>21.5</u> | <u>15.8</u> |

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

(iii) The amounts recognised in profit or loss in relation to leases are as follows:

| | 2021 HK\$'million | 2020 HK\$'million |
|--|----------------------|----------------------|
| Interest on lease liabilities | 0.4 | 0.9 |
| Depreciation charge of right-of-use assets | 236.3 | 233.5 |
| Expense relating to short-term leases (included in cost of sales and administrative expenses) | 4.9 | 2.0 |
| Gain on lease modification | (0.4) | (0.3) |
| Impairment loss on right-of-use assets | – | 46.9 |
| | <u>241.2</u> | <u>283.0</u> |

(iv) The total cash outflow for leases is disclosed in note 37(d) to the financial statements.

(b) The Group as a lessor

The Group leases its investment properties (note 14) consisting of residential, commercial and hotel properties in Hong Kong and overseas under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

Rental income recognised by the Group during the year was HK\$95.5 million (2020 - HK\$103.0 million), details of which are included in note 5 to the financial statements.

As at the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | 2021 HK\$'million | 2020 HK\$'million |
|---|------------------------------------|------------------------------------|
| Within one year | 66.9 | 64.7 |
| After one year but within two years | 46.2 | 42.1 |
| After two years but within three years | 9.9 | 30.0 |
| After three years but within four years | – | 5.8 |
| After four years but within five years | – | – |
| | 123.0 | 142.6 |

16. PROPERTIES UNDER DEVELOPMENT

Properties under development are analysed as follows:

| | 2021 HK\$'million | 2020 HK\$'million |
|--|------------------------------------|------------------------------------|
| Balance at 1st January | 1,371.5 | 1,311.9 |
| Additions | 122.8 | 54.2 |
| Exchange realignment | (5.3) | 5.4 |
| | <hr/> | <hr/> |
| Balance at 31st December | 1,489.0 | 1,371.5 |
| Portion included in current assets | (1,043.2) | (927.2) |
| | <hr/> | <hr/> |
| Non-current portion | 445.8 | 444.3 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 2021 HK\$'million | 2020 HK\$'million |
| Properties under development included under current assets expected to be completed within normal operating cycle and recovered: | | |
| Within one year | 1,043.2 | – |
| After one year | – | 927.2 |
| | <hr/> <hr/> | <hr/> <hr/> |

At 31st December, 2021, the Group's properties under development with carrying amount of HK\$1,043.2 million (2020 - HK\$927.2 million) were pledged to secure banking facilities granted to the Group.

17. INVESTMENTS IN JOINT VENTURES

| | 2021 HK\$'million | 2020 HK\$'million |
|---------------------------------------|----------------------|----------------------|
| Share of net assets | 960.2 | 1,176.7 |
| Unrealised income and gain eliminated | (154.0) | (147.9) |
| Loans to a joint venture | 2,222.7 | 2,832.2 |
| Amount due from a joint venture | 132.3 | 149.1 |
| | <u>3,161.2</u> | <u>4,010.1</u> |

The loans to a joint venture are unsecured, interest-free and repayable on demand except for (i) an amount of HK\$662.6 million as at 31st December, 2020 which was interest bearing at 4% per annum and (ii) an amount of HK\$158.7 million (2020 - HK\$1,550.0 million) which is interest bearing at 5% per annum (2020 - 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. There was no recent history of default and past due amounts for an amount due from a joint venture. As at 31st December, 2021 and 2020, the loss allowance was assessed to be minimal.

Particulars of the Group's joint ventures are as follows:

| Name | Place of incorporation and business | Particulars of issued shares held | Percentage of equity interest attributable to the Group | | Principal activities |
|--|-------------------------------------|-----------------------------------|---|------|----------------------|
| | | | 2021 | 2020 | |
| 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.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

During the year ended 31st December, 2020, the Group received 533,333,332 ordinary shares of Cosmopolitan with a fair value of HK\$650.7 million from P&R Holdings as a dividend. The Group has accounted for the equity investment as a financial asset at fair value through profit or loss.

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:

| | 2021 HK\$'million | 2020 HK\$'million |
|--|------------------------------------|------------------------------------|
| Faith Crown | | |
| Non-current assets | 45.5 | 45.5 |
| Current liabilities | <u>(40.6)</u> | <u>(40.6)</u> |
| Net assets | <u>4.9</u> | <u>4.9</u> |
| 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 | <u>2.4</u> | <u>2.4</u> |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

| | 2021 HK\$'million | 2020 HK\$'million |
|---|----------------------|----------------------|
| P&R Holdings and its subsidiaries | | |
| Non-current assets | 5,597.2 | 6,232.6 |
| Cash and cash equivalents | 271.3 | 320.5 |
| Other current assets | 9,690.8 | 10,957.4 |
| Current assets | 9,962.1 | 11,277.9 |
| Financial liabilities, excluding trade and other payables | (2,649.3) | (3,887.3) |
| Other current liabilities | (2,635.6) | (3,477.7) |
| Current liabilities | (5,284.9) | (7,365.0) |
| Non-current financial liabilities, excluding trade and other payables | (7,388.1) | (6,839.5) |
| Other non-current liabilities | (301.5) | (350.4) |
| Non-current liabilities | (7,689.6) | (7,189.9) |
| Net assets | 2,584.8 | 2,955.6 |
| Net assets attributable to equity holders of the parent | 1,915.7 | 2,348.5 |
| 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 | 957.8 | 1,174.3 |
| Unrealised interest income eliminated | (154.0) | (161.7) |
| Unrealised fair value loss eliminated | – | 13.8 |
| Loans to the joint venture | 2,222.7 | 2,832.2 |
| Amount due from the joint venture | 132.3 | 149.1 |
| Carrying amount of the investment | 3,158.8 | 4,007.7 |
| Revenue | 3,085.0 | 769.1 |
| Interest income | 26.0 | 32.6 |
| Depreciation | (42.1) | (40.1) |
| Interest expenses | (180.6) | (330.1) |
| Income tax | (232.5) | (10.8) |
| Profit/(loss) for the year | 185.8 | (531.9) |
| Dividend paid | – | (1,301.3) |
| Other comprehensive income/(loss) for the year | (556.6) | 2,014.1 |
| Total comprehensive income/(loss) for the year | (370.8) | 1,482.2 |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

At 31st December, 2021, the Group's share of maximum capital commitment as agreed for P&R Holdings in respect of its property development projects amounted to HK\$4,200.0 million (2020 - HK\$3,700.0 million) (the "P&R Capital Commitment"). At 31st December, 2021, shareholder's loans in an aggregate amount of HK\$2,064.0 million (2020 - HK\$619.6 million) have been contributed, of which HK\$1,562.6 million (2020 - HK\$118.2 million) has been provided under the P&R Capital Commitment. In addition, a total amount of HK\$2,587.2 million (2020 - HK\$2,263.3 million) has been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries and an associate of P&R Holdings, of which HK\$2,408.6 million (2020 - HK\$2,084.7 million) and HK\$178.6 million (2020 - HK\$178.6 million), respectively, have been provided under the P&R Capital Commitment.

In addition, two (2020 - three) loan facilities totalling HK\$1,550.0 million (2020 - HK\$2,212.6 million) have been granted to P&R Holdings, of which HK\$158.7 million (2020 - HK\$2,212.6 million) has been utilised, which bears interest at 5% per annum (2020 - 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:

| | 2021 HK\$'million | 2020 HK\$'million |
|----------------------------------|----------------------|----------------------|
| Contracted, but not provided for | <u>272.9</u> | <u>465.7</u> |

18. INVESTMENTS IN ASSOCIATES

| | 2021 HK\$'million | 2020 HK\$'million |
|-----------------------------|----------------------|----------------------|
| Share of net assets | 3.4 | 4.6 |
| Amounts due from associates | 83.5 | 83.5 |
| Provision for impairment | <u>(78.0)</u> | <u>(76.8)</u> |
| | <u>8.9</u> | <u>11.3</u> |

The amounts due from associates are unsecured, interest-free and repayable on demand. In the opinion of the Directors, these amounts are considered as part of the Group's net investments in the associates. As at 31st December, 2021, loss allowance for impairment of amounts due from associates of HK\$78.0 million (2020 - HK\$76.8 million) represented lifetime ECLs made for credit-impaired balances. Except for the above balances, there has been no significant increase in credit risk of remain balances. As at 31st December, 2021 and 2020, the loss allowance for such remaining balances was assessed to be minimal.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Particulars of the Group's associates are as follows:

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital | Percentage of equity interest attributable to the Group | | Principal activities |
|--|---|---|---|---------------------|--|
| | | | 2021 | 2020 | |
| 8D International (BVI) Limited | British Virgin Islands | HK\$1,000 | 30.0 | 30.0 | Investment holding |
| 8D Matrix Limited ("8D Matrix") | British Virgin Islands | HK\$2,000,000 | 36.0 ⁽¹⁾ | 36.0 ⁽¹⁾ | Investment holding |
| 8D International Limited [#] | Hong Kong | HK\$500,000 | 36.0 ⁽¹⁾ | 36.0 ⁽¹⁾ | Advertising and promotion |
| Century Innovative Technology Limited [#] | Hong Kong | HK\$1 | 36.0 ⁽¹⁾ | 36.0 ⁽¹⁾ | Development and distribution of edutainment products |
| 深圳市世紀創意科技有限公司 [#] | PRC/ Mainland China | RMB63,000,000 | 36.0 ⁽¹⁾ | 36.0 ⁽¹⁾ | Development and distribution of edutainment products |
| Yieldtop Holdings Limited ("Yieldtop") | British Virgin Islands | US\$100 | 50.0 | 50.0 | Investment holding |
| Hang Fok Properties Limited [^] | British Virgin Islands | US\$100 | 50.0 | 50.0 | Investment holding |

[#] These are wholly owned subsidiaries of 8D Matrix.

[^] This is a wholly owned subsidiary of Yieldtop.

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

The above associates are indirectly held by the Company.

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

| | 2021 HK\$'million | 2020 HK\$'million |
|---|----------------------|----------------------|
| Share of the associates' loss and total comprehensive loss for the year | (1.2) | (0.7) |
| Aggregate carrying amount of the Group's investments in the associates | <u>8.9</u> | <u>11.3</u> |

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2021 HK\$'million | 2020 HK\$'million |
|---|----------------------|----------------------|
| Non-current assets: | | |
| Unlisted equity investments, at fair value | 135.5 | 169.8 |
| Unlisted fund investments, at fair value | 516.6 | 568.6 |
| Unlisted debt investments, at fair value | 7.8 | 5.2 |
| | 659.9 | 743.6 |
| Current assets: | | |
| Listed equity investments, at fair value | 1,940.5 | 1,810.6 |
| Listed debt investments, at fair value [#] | 73.4 | 130.5 |
| | 2,013.9 | 1,941.1 |
| | 2,673.8 | 2,684.7 |

[#] During the year, a put option (note 31) was granted to the Group in relation to an investment held by the Group. Management is of the view that the market risk of such put option is not significant.

The unlisted equity, fund and debt investments were mandatorily classified as financial assets at fair value through profit or loss, as their contractual cash flows are not solely payments of principal and interest.

The above listed equity investments and listed debt investments included under current assets were classified as financial assets at fair value through profit or loss as they were held for trading.

At 31st December, 2021, certain of the Group's financial assets at fair value through profit or loss with a carrying value of HK\$61.2 million (2020 - HK\$150.4 million) were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

The fair value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK\$1,637.6 million.

During the year, the Group received dividend income from certain unlisted and listed investments amounted to HK\$17.5 million (2020 - HK\$40.7 million) and HK\$5.0 million (2020 - HK\$8.2 million), respectively.

20. OTHER LOAN

The other loan is analysed as follows:

| | Note | 2021 HK\$'million | 2020 HK\$'million |
|------------------------------------|------|----------------------|----------------------|
| Loan to Cosmopolitan group | (a) | 478.9 | 535.9 |
| Portion included in current assets | | <u>(121.9)</u> | <u>(535.9)</u> |
| Non-current portion | | <u>357.0</u> | <u>–</u> |

- (a) The loan to Cosmopolitan group comprises a term loan of HK\$357.0 million (2020 - HK\$535.9 million) and a revolving loan of HK\$121.9 million (2020 - Nil), which bear interest at 5% per annum. The original loan facilities were due to mature in 2021. Pursuant to a supplemental agreement (the "Supplemental Agreement") entered into between the Group and Cosmopolitan group during the year, the loan facilities were revised and the maturity date was extended to October 2024. The Supplemental Agreement, details of which were contained in the circular to the shareholders dated 11th November, 2021, was approved by the independent shareholders in a special general meeting of the Company held on 30th November, 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.

The balance above has no recent history of default and past due amounts. As at 31st December, 2021 and 2020, the loss allowance was assessed to be minimal.

21. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK\$40.7 million (2020 - HK\$37.2 million) representing the trade debtors of the Group.

| | 2021 HK\$'million | 2020 HK\$'million |
|---------------|----------------------|----------------------|
| Trade debtors | 66.8 | 57.4 |
| Impairment | <u>(26.1)</u> | <u>(20.2)</u> |
| | <u>40.7</u> | <u>37.2</u> |

The financial assets included in the balance, other than trade debtors, relate to receivables for which there was no recent history of default and past due amounts. As at 31st December, 2021 and 2020, the loss allowance was assessed to be minimal.

Credit terms

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

Included in the Group's debtors, deposits and prepayments are amounts due from fellow subsidiaries of HK\$18.3 million (2020 - HK\$11.2 million) and an amount due from an associate of a joint venture of HK\$2.1 million (2020 - HK\$4.7 million).

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

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

| | 2021 HK\$'million | 2020 HK\$'million |
|---------------------------------|----------------------|----------------------|
| Outstanding balances with ages: | | |
| Within 3 months | 28.1 | 29.0 |
| 4 to 6 months | 5.8 | 4.2 |
| 7 to 12 months | 7.3 | 6.7 |
| Over 1 year | 25.6 | 17.5 |
| | <u>66.8</u> | <u>57.4</u> |
| Impairment | (26.1) | (20.2) |
| | <u>40.7</u> | <u>37.2</u> |

The movements in the loss allowance for impairment of trade debtors are as follows:

| | 2021 HK\$'million | 2020 HK\$'million |
|--|----------------------|----------------------|
| At 1st January | 20.2 | 8.2 |
| Impairment loss recognised, net (note 6) | 5.9 | 13.5 |
| Amount written off as uncollectible | - | (1.5) |
| | <u>26.1</u> | <u>20.2</u> |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product/service type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade debtors are written off if past due for more than one year and not subject to enforcement activity. During the year, the expected credit loss rate for certain customers that are credit impaired are assessed specifically by management.

Set out below is the information about the credit risk exposure on the Group's trade debtors using a provision matrix:

As at 31st December, 2021

| | Credit impaired receivables | Current | Past due | | | | Total |
|---------------------------------------|-----------------------------|---------|-----------------|---------------|----------------|-------------|-------|
| | | | Within 3 months | 4 to 6 months | 7 to 12 months | Over 1 year | |
| Expected credit loss rate | 100% | – | – | 3.4% | 2.7% | 78.9% | 39.1% |
| Gross carrying amount (HK\$'million) | 15.7 | 14.1 | 14.0 | 2.9 | 7.3 | 12.8 | 66.8 |
| Expected credit losses (HK\$'million) | 15.7 | – | – | 0.1 | 0.2 | 10.1 | 26.1 |

As at 31st December, 2020

| | Credit impaired receivables | Current | Past due | | | | Total |
|---------------------------------------|-----------------------------|---------|-----------------|---------------|----------------|-------------|-------|
| | | | Within 3 months | 4 to 6 months | 7 to 12 months | Over 1 year | |
| Expected credit loss rate | 100% | – | – | 8.3% | 1.8% | 64.9% | 35.2% |
| Gross carrying amount (HK\$'million) | 11.3 | 15.9 | 10.1 | 1.2 | 5.5 | 13.4 | 57.4 |
| Expected credit losses (HK\$'million) | 11.3 | – | – | 0.1 | 0.1 | 8.7 | 20.2 |

22. INTANGIBLE ASSETS

31st December, 2021

Additions

Costs and carrying amount at 31st December, 2021

Passenger
service
licenses
HK\$'million

3.6

3.6

23. PROPERTIES HELD FOR SALE

At 31st December, 2021, the Group's properties held for sale with a carrying value of HK\$293.4 million (2020 - HK\$240.2 million) were pledged to secure a banking facility granted to the Group.

24. INVENTORIES

Hotel and other merchandise

2021
HK\$'million

22.9

2020
HK\$'million

25.2

25. FINANCIAL ASSET AT AMORTISED COST

At 31st December, 2021, the amount represented unlisted certificate of deposit with fixed maturity date. The unlisted certificate of deposit was denominated in Renminbi with fixed interest rate at 2% per annum.

26. RESTRICTED CASH

At 31st December, 2021, the Group had approximately HK\$99.2 million (2020 - HK\$88.5 million) of cash which was restricted as to use and mainly to be utilised for the purpose of servicing the finance costs and repayments on certain interest bearing bank borrowings, funding the furniture, fixtures and equipment reserve for use in the hotel buildings, and deposits of certain tenants in respect of certain investment properties.

27. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

Included in the balance is an amount of HK\$41.8 million (2020 - HK\$31.7 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

| | 2021 HK\$'million | 2020 HK\$'million |
|---------------------------------|----------------------|----------------------|
| Outstanding balances with ages: | | |
| Within 3 months | 41.7 | 31.7 |
| 4 to 6 months | 0.1 | – |
| | <u>41.8</u> | <u>31.7</u> |

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

Included in the creditors, deposits received and accruals are amounts due to associates, a joint venture and fellow subsidiaries of HK\$15.6 million (2020 - HK\$13.4 million), HK\$22.7 million (2020 - HK\$22.7 million) and HK\$11.1 million (2020 - HK\$7.0 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

28. CONTRACT LIABILITIES

| | 31st December, 2021 HK\$'million | 31st December, 2020 HK\$'million | 1st January, 2020 HK\$'million |
|---|--|--|--------------------------------------|
| <i>Contract liabilities arising from:</i> | | | |
| Hotel operations | 102.7 | 51.2 | 39.2 |
| Loyalty point programmes | 3.9 | 2.4 | 4.1 |
| Sales of properties | 21.1 | – | – |
| | <u>127.7</u> | <u>53.6</u> | <u>43.3</u> |

Contract liabilities include (i) consideration received from customers in advance for hotel services and liabilities on the loyalty point programmes operated by the Group's hotels which allow customers to accumulate points when they patronise the Group's hotels and redeem the points for future spending in the hotels or other gifts; and (ii) sales proceeds received in advance from buyers in connection with the Group's pre-sale of properties and interest on the sales proceeds received.

29. INTEREST BEARING BANK BORROWINGS

| | 2021 | | 2020 | |
|----------------------|-------------|-----------------|-------------|-----------------|
| | Maturity | HK\$'million | Maturity | HK\$'million |
| Current | | | | |
| Bank loans – secured | 2022 | 2,010.0 | 2021 | 7,426.3 |
| Non-current | | | | |
| Bank loans – secured | 2023 - 2026 | 13,203.2 | 2022 - 2024 | 5,880.2 |
| | | <u>15,213.2</u> | | <u>13,306.5</u> |

Analysed into:

Bank loans repayable:

Within one year

In the second year

In the third to fifth years, inclusive

| | 2021 HK\$'million | 2020 HK\$'million |
|--|----------------------|----------------------|
| | 2,010.0 | 7,426.3 |
| | 5,125.5 | 374.8 |
| | 8,077.7 | 5,505.4 |
| | <u>15,213.2</u> | <u>13,306.5</u> |

On 12th September, 2016, Regal REIT group, through wholly owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$1,000.0 million (the "2016 IH Facilities"). On 10th August, 2021, a new 5-year financing facility comprised of a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$500.0 million (the "2021 IH Facilities") was concluded. The new term loan facility was applied to repay the previous term loan facility in the same principal amount that matured in September 2021. The new revolving loan facility is reserved for general corporate funding proposes. The 2021 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, 2021, the 2021 IH Facilities had outstanding amount of HK\$4,590.0 million, representing the full amount of the term loan facility and an amount of HK\$90.0 million under the revolving loan facility.

On 8th March, 2018, Regal REIT group, through its wholly owned subsidiary, Ricobem Limited, arranged a bilateral term loan facility of HK\$3,000.0 million (the "2018 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. This facility has a term of five years to March 2023. As at 31st December, 2021, the outstanding amount of the 2018 RKH Facility was HK\$3,000.0 million, representing the full amount of the term loan facility.

On 19th July, 2019, Regal REIT group, through its wholly owned subsidiary, Sonnix Limited, entered into a facility agreement for a term loan facility of HK\$440.0 million (the "2019 WC Facility"), for a term of five years to July 2024. The 2019 WC Facility is secured by the iclub Wan Chai Hotel. On 22nd June, 2020, its principal amount was revised to HK\$405.0 million for the purpose of compliance with an undertaking in the facility agreement. As at 31st December, 2021, the outstanding facility amount of the 2019 WC Facility was HK\$405.0 million.

On 19th October, 2018, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million (the "2018 SW Facilities"), secured by the iclub Sheung Wan Hotel. The 2018 SW Facilities have a term of five years to October 2023. As at 31st December, 2021, the utilised amount of the 2018 SW Facilities was HK\$790.0 million, representing the full amount of the term loan facility and a revolving loan amount of HK\$158.0 million.

On 29th November, 2018, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (subsequently reduced to HK\$44.0 million in September 2020) (the "2018 FH Facilities"), secured by the iclub Fortress Hill Hotel. The 2018 FH Facilities have a term of five years to November 2023. As at 31st December, 2021, the outstanding amount of the 2018 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

On 4th September, 2017, Regal REIT group, through its wholly owned subsidiary, Land Crown International Limited, arranged a term loan facility of HK\$748.0 million (the "2017 MTW Facility"), secured by the iclub Ma Tau Wai Hotel. The 2017 MTW Facility has a term of three years to September 2020. On 27th August, 2020, a supplement to 2017 MTW Facility agreement was entered into to amend the principal loan amount to HK\$621.0 million (the "2020 MTW Facility"), for a new term of three years to September 2023. As at 31st December, 2021, the outstanding amount of the 2020 MTW Facility was HK\$621.0 million, representing the full amount of the term loan facility.

As at 31st December, 2021, the outstanding loan facilities of Regal REIT group bore interest at HIBOR plus an interest margin ranging from 0.92% per annum to 1.80% per annum (2020 – ranging from 0.92% per annum to 1.20% per annum).

Bank borrowings under the 2021 IH Facilities, the 2018 RKH Facility, the 2019 WC Facility, the 2018 SW Facilities, the 2018 FH Facilities and the 2020 MTW Facility are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

The Regal REIT group's interest-bearing bank borrowings are also secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;
- (iii) charges over each relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

As at 31st December, 2021, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.98% per annum to 2.75% per annum except for a bank loan of HK\$20.4 million, which bore interest at EURIBOR plus 2.5% per annum, and bank loans of HK\$20.6 million, which bore interest at the bank's cost of fund plus an interest margin of 0.75% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$41.0 million which were denominated in Euro.

As at 31st December, 2020, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.98% per annum to 1.85% per annum, except for a bank loan of HK\$7.0 million, which bore interest at EURIBOR plus an interest margin of 2.5% per annum and bank loans of HK\$92.7 million, which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars, except for bank loans of HK\$57.0 million which were denominated in United States dollars and bank loans of HK\$33.0 million which were denominated in Euro.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 39 to the consolidated financial statements.

30. OTHER BORROWING

| | 2021 HK\$'million | 2020 HK\$'million |
|-----------------------------|----------------------|----------------------|
| Current | | |
| Other borrowing – unsecured | | |
| Repayable in the first year | – | 2,707.0 |
| | <u> </u> | <u> </u> |

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

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

The notes were fully repaid upon maturity during the year.

31. DERIVATIVE FINANCIAL INSTRUMENTS

| | ASSETS | |
|-------------|----------------------|----------------------|
| | 2021 HK\$'million | 2020 HK\$'million |
| Put options | 26.3 | – |
| | <u> </u> | <u> </u> |

At the end of the reporting period, the Group had outstanding put option in relation to certain financial assets acquired by the Group, which were not designated for hedge purposes and were measured at fair value through profit or loss. A net fair value gain of HK\$26.3 million (2020 - loss of HK\$3.1 million) was included in the consolidated statement of profit or loss during the year.

32. DEFERRED TAX

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

| | Fair value adjustments arising from revaluation of property, plant and equipment HK\$'million | Depreciation allowances in excess of related depreciation HK\$'million | Depreciation in excess of related depreciation allowances HK\$'million | Losses available for offsetting against future taxable profits HK\$'million | Fair value adjustments arising from acquisition of a business HK\$'million | Total HK\$'million |
|--|---|---|---|--|---|-----------------------|
| Gross deferred tax assets/(liabilities) at 1st January, 2020 | (2.5) | (833.3) | 1.8 | 56.3 | (14.5) | (792.2) |
| Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10) | – | 42.5 | – | 0.5 | (0.9) | 42.1 |
| Exchange differences | (0.2) | – | – | – | (1.4) | (1.6) |
| Gross deferred tax assets/(liabilities) at 31st December, 2020 and 1st January, 2021 | (2.7) | (790.8) | 1.8 | 56.8 | (16.8) | (751.7) |
| Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10) | – | 54.5 | – | (2.9) | (0.9) | 50.7 |
| Exchange differences | 0.2 | – | – | – | 1.3 | 1.5 |
| Gross deferred tax assets/(liabilities) at 31st December, 2021 | (2.5) | (736.3) | 1.8 | 53.9 | (16.4) | (699.5) |

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:

| | 2021 HK\$'million | 2020 HK\$'million |
|---|-----------------------|-----------------------|
| Net deferred tax assets recognised in the consolidated statement of financial position | 47.7 | 50.1 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | <u>(747.3)</u> | <u>(801.8)</u> |
| | <u>(699.6)</u> | <u>(751.7)</u> |

The Group has unrecognised tax losses arising in Hong Kong amounting to HK\$4,685.1 million (2020 - HK\$4,056.5 million) at the end of the reporting period. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets in respect of the above tax losses amounting to HK\$773.0 million (2020 - HK\$669.3 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, 2021, 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\$572.6 million at 31st December, 2021 (2020 - HK\$349.5 million).

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

33. SHARE CAPITAL AND SHARE PREMIUM

| | 2021 HK\$'million | 2020 HK\$'million |
|--|----------------------|----------------------|
| Shares | | |
| Authorised: | | |
| 2,000.0 million ordinary shares of HK\$0.10 each | 200.0 | 200.0 |
| 0.1 million 5¼% convertible cumulative redeemable preference shares of US\$10 each | 1.3 | 1.3 |
| | <u>201.3</u> | <u>201.3</u> |
| Issued and fully paid: | | |
| 898.8 million ordinary shares of HK\$0.10 each | <u>89.9</u> | <u>89.9</u> |
| Share premium | | |
| Ordinary shares | <u>404.7</u> | <u>404.7</u> |

There is no movement in the Company's share capital and share premium account during the years ended 31st December, 2021 and 2020.

34. 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 80 and 81.

35. PERPETUAL SECURITIES

On 13th April, 2017, RH International Finance Limited, a wholly owned subsidiary of the Company, issued a series of United States dollar denominated guaranteed senior perpetual securities in an aggregate nominal principal amount of US\$225.0 million (equivalent to HK\$1,750.0 million) at a coupon interest rate of 6.5% per annum.

There was no movement in the number of perpetual securities during the years ended 31st December, 2021 and 2020.

The perpetual securities are guaranteed by the Company. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the issuers of the perpetual securities.

36. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Percentage of equity interest held by non-controlling interests of Regal REIT | <u>25.11%</u> | <u>25.42%</u> |
| | 2021 | 2020 |
| | HK\$'million | HK\$'million |
| Loss for the year allocated to non-controlling interests of the Regal REIT group | <u>(33.1)</u> | <u>(10.8)</u> |
| Dividends paid to non-controlling interests of the Regal REIT group | <u>99.7</u> | <u>96.0</u> |
| Accumulated balances of non-controlling interests of the Regal REIT group at the reporting date | <u>459.8</u> | <u>610.1</u> |

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

| | 2021 | 2020 |
|--|---------------------|---------------------|
| | HK\$'million | HK\$'million |
| Revenue | 593.5 | 871.4 |
| Loss for the year, before distributions to unitholders | (132.0) | (42.5) |
| Total comprehensive loss for the year, before distributions to unitholders | <u>(132.0)</u> | <u>(42.5)</u> |
| Non-current assets | 14,199.8 | 14,666.0 |
| Current assets | 174.7 | 361.5 |
| Current liabilities | (331.1) | (4,864.6) |
| Non-current liabilities | <u>(10,488.8)</u> | <u>(6,078.9)</u> |
| Net cash flows from operating activities | 304.3 | 478.1 |
| Net cash flows used in investing activities | (2.7) | (57.3) |
| Net cash flows used in financing activities | <u>(490.1)</u> | <u>(308.3)</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>(188.5)</u> | <u>112.5</u> |

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalent balances

| | 2021 HK\$'million | 2020 HK\$'million |
|---|----------------------|----------------------|
| Cash and bank balances | 1,069.9 | 2,267.1 |
| Non-pledged time deposits with an original maturity of less than three months when acquired | 801.8 | 70.7 |
| Non-pledged time deposit with an original maturity of more than three months when acquired | 10.0 | 11.2 |
| Cash and cash equivalents | <u>1,881.7</u> | <u>2,349.0</u> |

In addition, at the end of the reporting period, the cash and bank balances of the Group amounting to HK\$197.6 million (2020 - HK\$798.3 million) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

(b) Major non-cash transactions

- (i) During the year, the Group had non-cash additions/modifications to right-of-use assets (included those in investment properties) and lease liabilities of HK\$2,487.9 million (2020 - HK\$11.5 million) and HK\$19.1 million (2020 - HK\$11.8 million), respectively, in respect of lease arrangements for leased properties.
- (ii) During the year ended 31st December, 2020, the Group received dividend income from a joint venture through settlement of an equity investment at fair value through profit or loss amounted to HK\$650.7 million, details of which are disclosed in note 17 to the financial statements.
- (iii) During the year ended 31st December, 2020, dividend receivable from an associate of HK\$41.0 million was used to offset the amount due to associate of HK\$54.3 million.
- (iv) During the year ended 31st December, 2020, the Group received dividend income from certain unlisted investments through settlement of equity investments at fair value through profit or loss amounted to HK\$40.2 million.

(c) Changes in liabilities arising from financing activities

2021

| | Interest bearing bank borrowings HK\$'million | Other borrowing HK\$'million | Lease liabilities HK\$'million | Interest payable on interest bearing bank borrowings and other borrowing HK\$'million |
|-----------------------------------|--|------------------------------------|--------------------------------------|--|
| At 1st January, 2021 | 13,306.5 | 2,707.0 | 27.8 | 55.6 |
| Changes from financing cash flows | 1,874.5 | (2,716.8) | (14.4) | (293.2) |
| New lease/lease modification | – | – | 19.2 | – |
| Foreign exchange movement | (2.3) | 6.4 | (0.9) | – |
| Finance costs | 34.5 | 3.4 | 0.4 | 254.3 |
| At 31st December, 2021 | <u>15,213.2</u> | <u>–</u> | <u>32.1</u> | <u>16.7</u> |

2020

| | Interest bearing bank borrowings HK\$'million | Other borrowing HK\$'million | Lease liabilities HK\$'million | Interest payable on interest bearing bank borrowings and other borrowing HK\$'million |
|-----------------------------------|--|------------------------------------|--------------------------------------|--|
| At 1st January, 2020 | 13,056.5 | 2,716.7 | 53.1 | 66.1 |
| Changes from financing cash flows | 219.6 | (3.0) | (16.5) | (387.4) |
| New lease/lease modification | – | – | (11.8) | – |
| Foreign exchange movement | 2.0 | (12.7) | 2.1 | (0.4) |
| Finance costs | 28.4 | 6.0 | 0.9 | 377.3 |
| At 31st December, 2020 | <u>13,306.5</u> | <u>2,707.0</u> | <u>27.8</u> | <u>55.6</u> |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

(d) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

| | 2021 HK\$'million | 2020 HK\$'million |
|-----------------------------|----------------------|----------------------|
| Within operating activities | 4.9 | 2.0 |
| Within financing activities | 14.4 | 16.5 |
| | <u>19.3</u> | <u>18.5</u> |

38. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

| | Notes | 2021 HK\$'million | 2020 HK\$'million |
|---|-------|----------------------|----------------------|
| Fellow subsidiaries: | | | |
| Management fees | (i) | 39.0 | 34.9 |
| Development consultancy fees | (ii) | – | 11.0 |
| Service fees in respect of security systems and products and other software | (iii) | 0.6 | 0.5 |
| Repairs and maintenance fees and construction fees | (iv) | 11.1 | 9.7 |
| An associate: | | | |
| Advertising and promotion fees (including cost reimbursements) | (v) | 6.8 | 2.2 |
| A joint venture: | | | |
| Gross interest income | (vi) | 56.7 | 149.5 |
| Estate management fee income | (vii) | 2.1 | 2.2 |
| | | <u>56.7</u> | <u>149.5</u> |

Notes:

- (i) The management fees included rentals and other overheads allocated from a wholly owned subsidiary of CCIHL, either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, PHL, Cosmopolitan and the Company based on the distribution of job responsibilities and the estimated time spent by the relevant staff in serving each of the four groups.
- (ii) The development consultancy fees were paid to a fellow subsidiary for various services provided, which include advisory, supervisory, architectural and design services in connection with property development projects and other renovation projects of the hotels operated by the Group. The fees were charged at agreed rates of the estimated cost of individual projects.

- (iii) Fees were paid to certain fellow subsidiaries for the purchases and maintenance services of the security systems and products and other software installed in the Group's hotel properties. The fees were charged based on cost plus a margin depending on the nature and location of the work performed.
- (iv) Fees were paid to a fellow subsidiary for providing repairs and maintenance and construction works for the Group's hotel properties. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.
- (v) The advertising and promotion fees paid to an associate comprised a retainer fee determined by reference to the estimated volume of advertising and promotional activities of the Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.
- (vi) The amount comprises interest income earned by the Group with respect to interest bearing loans to P&R Holdings at 5% per annum (2020 - 4% to 5% per annum) and interest income earned by the Group on the loan facilities granted to the Cosmopolitan group at 5% per annum as disclosed in note 20 to the financial statements.
- (vii) The estate management fee income earned by the Group was charged at an agreed percentage of total operating expenses of the shopping mall owned by P&R Holdings for estate management services rendered.

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

(b) Outstanding balances with related parties:

| | Notes | 2021 HK\$'million | 2020 HK\$'million |
|--|-------|----------------------|----------------------|
| Due from fellow subsidiaries | (i) | 18.3 | 11.2 |
| Due to a joint venture | (ii) | (22.7) | (22.7) |
| Due to associates | (ii) | (15.6) | (13.4) |
| Due to fellow subsidiaries | (ii) | (11.1) | (7.0) |
| Loans to a joint venture | (iii) | 2,222.7 | 2,832.2 |
| Due from a joint venture | (iii) | 132.3 | 149.1 |
| Due from associates | (iv) | 83.5 | 83.5 |
| Due from an associate of a joint venture | (v) | 2.1 | 4.7 |
| Other loan | (vi) | 478.9 | 535.9 |

Notes:

- (i) Details of the amounts due from fellow subsidiaries are included in "Debtors, deposits and prepayments" in note 21 to the financial statements.
- (ii) Details of the amounts due to a joint venture, associates and fellow subsidiaries are included in "Creditors, deposits received and accruals" in note 27 to the financial statements.
- (iii) Details of the loans to a joint venture and the amount due from a joint venture are included in "Investments in joint ventures" in note 17 to the financial statements.
- (iv) Details of the amounts due from associates are included in "Investments in associates" in note 18 to the financial statements.
- (v) Details of the amount due from an associate of a joint venture are included in "Debtors, deposits and prepayments" in note 21 to the financial statements.
- (vi) Details of other loan are included in note 20 to the financial statements.

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

| | 2021 HK\$'million | 2020 HK\$'million |
|---|------------------------------------|------------------------------------|
| Short term employee benefits | 30.9 | 28.0 |
| Staff retirement scheme contributions | 2.0 | 1.8 |
| Total compensation paid to key management personnel | 32.9 | 29.8 |

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

The related party transaction set out in note 38(a)(i) above also constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company, but is exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval in accordance with the Listing Rules ("Relevant Requirements") pursuant to rule 14A.98 of the Listing Rules.

A related party transaction set out in note 38(a)(ii) above also constituted a connected transaction as defined in Chapter 14A of the Listing Rules to the Company and is subject to relevant disclosure requirement under the Relevant Requirements, but is exempted from the other Relevant Requirements pursuant to rule 14A.76(2)(a) of the Listing Rules. The disclosure requirement with respect to such transaction has been complied with. The other related party transactions set out in note 38(a)(ii) above also constituted connected transactions as defined in Chapter 14A of the Listing Rules to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.76(1)(a) of the Listing Rules.

Certain of the related party transactions set out in note 38(a)(iii) above also constituted connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.76(1)(a). The other related party transactions set out in note 38(a)(iii) above also constituted continuing connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.76(1)(a) of the Listing Rules.

Certain of the related party transactions set out in note 38(a)(iv) above also constituted connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.76(1)(a). The remaining related party transactions set out in note 38(a)(iv) above also constituted continuing connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.76(1)(a).

The related party transactions set out in notes 38(a)(v) and (vii) above also constituted continuing connected transactions to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.76(1)(a).

The related party transactions set out in note 38(a)(vi) above were contemplated under transactions (the "Transactions") which constituted connected transactions to the Company subject to the Relevant Requirements. The Relevant Requirements with respect to the Transactions had been complied with.

Relevant disclosures and other requirements, including, inter alia, independent shareholders' approval (where required) in accordance with the Listing Rules with respect to the connected or continuing connected transactions during the prior year set out in note 38(a) had been made or met or otherwise exempted.

39. PLEDGE OF ASSETS

As at 31st December, 2021, the Group’s properties held for sale and certain of the Group’s property, plant and equipment, investment properties, right-of-use assets, properties under development, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$20,967.2 million (2020 - HK\$21,288.1 million) were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

40. CONTINGENT LIABILITIES

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

| | 2021 HK\$'million | 2020 HK\$'million |
|---|----------------------|----------------------|
| Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture | 2,408.6 | 2,084.7 |
| Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture | 178.6 | 178.6 |
| | <u>178.6</u> | <u>178.6</u> |

At 31st December, 2021, the banking facilities granted to certain subsidiaries and an associate of a joint venture subject to corporate guarantees given on a several basis to banks by the Group were utilised to the extent of HK\$2,408.6 million (2020 - HK\$2,084.7 million) and HK\$178.6 million (2020 - HK\$178.6 million), respectively.

In addition, a corporate guarantee has been given to a bank by the Group for a performance bond issued by the bank in relation to a property development contract undertaken by the Group amounting to HK\$15.0 million (2020 - HK\$15.0 million).

At 31st December, 2020, a corporate guarantee in respect of attributable share of a demand bond issued by a bank to Urban Renewal Authority amounting to HK\$4.0 million in relation to a hotel project of a joint venture was provided by the Group.

41. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | 2021 HK\$'million | 2020 HK\$'million |
|--|----------------------|----------------------|
| Contracted, but not provided for: Property development projects | 158.3 | 500.8 |
| | <u>158.3</u> | <u>500.8</u> |

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

| | Financial assets at fair value through profit or loss - mandatorily designated as such HK\$'million | Financial assets at amortised cost HK\$'million | Total HK\$'million |
|--|--|--|-----------------------|
| Other loan | - | 478.9 | 478.9 |
| Trade debtors (note 21) | - | 40.7 | 40.7 |
| Other financial assets included in debtors, deposits and prepayments | - | 203.1 | 203.1 |
| Financial assets at fair value through profit or loss | 2,673.8 | - | 2,673.8 |
| Derivative financial instruments | 26.3 | - | 26.3 |
| Financial asset at amortised cost | - | 15.6 | 15.6 |
| Loans to a joint venture (note 17) | - | 2,222.7 | 2,222.7 |
| Amount due from a joint venture (note 17) | - | 132.3 | 132.3 |
| Amounts due from associates (note 18) | - | 5.5 | 5.5 |
| Restricted cash | - | 99.2 | 99.2 |
| Pledged time deposits and bank balances | - | 252.8 | 252.8 |
| Time deposits | - | 811.8 | 811.8 |
| Cash and bank balances | - | 1,069.9 | 1,069.9 |
| | 2,700.1 | 5,332.5 | 8,032.6 |

Financial liabilities

| | Financial liabilities at amortised cost HK\$'million |
|---|---|
| Trade creditors (note 27) | 41.8 |
| Other financial liabilities included in creditors, deposits received and accruals | 399.9 |
| Amount due to a joint venture (note 27) | 22.7 |
| Amounts due to associates (note 27) | 15.6 |
| Interest bearing bank borrowings | 15,213.2 |
| Lease liabilities | 32.1 |
| | <u>15,725.3</u> |

2020
Financial assets

| | Financial assets at fair value through profit or loss - mandatorily designated as such HK\$'million | Financial assets at amortised cost HK\$'million | Total HK\$'million |
|--|--|--|-----------------------|
| Other loan | – | 535.9 | 535.9 |
| Trade debtors (note 21) | – | 37.2 | 37.2 |
| Other financial assets included in debtors, deposits and prepayments | – | 307.2 | 307.2 |
| Financial assets at fair value through profit or loss | 2,684.7 | – | 2,684.7 |
| Loans to a joint venture (note 17) | – | 2,832.2 | 2,832.2 |
| Amount due from a joint venture (note 17) | – | 149.1 | 149.1 |
| Amounts due from associates (note 18) | – | 6.7 | 6.7 |
| Restricted cash | – | 88.5 | 88.5 |
| Pledged time deposits and bank balances | – | 311.3 | 311.3 |
| Time deposits | – | 81.9 | 81.9 |
| Cash and bank balances | – | 2,267.1 | 2,267.1 |
| | <u>2,684.7</u> | <u>6,617.1</u> | <u>9,301.8</u> |

Financial liabilities

| | Financial liabilities at amortised cost HK\$'million |
|---|---|
| Trade creditors (note 27) | 31.7 |
| Other financial liabilities included in creditors, deposits received and accruals | 305.5 |
| Amount due to a joint venture (note 27) | 22.7 |
| Amounts due to associates (note 27) | 13.4 |
| Interest bearing bank borrowings | 13,306.5 |
| Other borrowing | 2,707.0 |
| Lease liabilities | 27.8 |
| | <hr/> |
| | 16,414.6 |

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values at the end of the reporting period.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value as at 31st December, 2021

| | Fair value measurement using | | | Total HK\$'million |
|---|--|--|--|-----------------------|
| | Quoted prices in active markets (Level 1) HK\$'million | Significant observable inputs (Level 2) HK\$'million | Significant unobservable inputs (Level 3) HK\$'million | |
| Financial assets at fair value through profit or loss: | | | | |
| Listed equity investments | 1,940.5 | – | – | 1,940.5 |
| Listed debt investments | – | 73.4 | – | 73.4 |
| Unlisted equity investments | – | – | 135.5 | 135.5 |
| Unlisted fund investments | – | – | 516.6 | 516.6 |
| Unlisted debt investments | – | – | 7.8 | 7.8 |
| Derivative financial instruments | – | 26.3 | – | 26.3 |
| | 1,940.5 | 99.7 | 659.9 | 2,700.1 |

Assets measured at fair value as at 31st December, 2020

| | Fair value measurement using | | | Total HK\$'million |
|---|--|--|--|-----------------------|
| | Quoted prices in active markets (Level 1) HK\$'million | Significant observable inputs (Level 2) HK\$'million | Significant unobservable inputs (Level 3) HK\$'million | |
| Financial assets at fair value through profit or loss: | | | | |
| Listed equity investments | 1,810.6 | – | – | 1,810.6 |
| Listed debt investments | – | 130.5 | – | 130.5 |
| Unlisted equity investments | – | – | 169.8 | 169.8 |
| Unlisted fund investments | – | – | 568.6 | 568.6 |
| Unlisted debt investments | – | – | 5.2 | 5.2 |
| | 1,810.6 | 130.5 | 743.6 | 2,684.7 |

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

| | 2021 HK\$'million | 2020 HK\$'million |
|---|----------------------|----------------------|
| Financial assets at fair value through profit or loss – unlisted investments: | | |
| At 1st January | 743.6 | 755.8 |
| Purchases | 32.6 | 36.1 |
| Distributions | (10.9) | (55.9) |
| Total gains/(losses) recognised in profit or loss, net | (0.8) | 65.6 |
| Disposal | (104.6) | (58.0) |
| | <u>659.9</u> | <u>743.6</u> |
| At 31st December | | |

Liabilities measured at fair value as at 31st December, 2021

The Group did not have any financial liabilities measured at fair value as at 31st December, 2021 (2020 - Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020 - Nil).

Valuation techniques

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

The fair values of certain listed equity investments and listed debt investments are determined based on the market values provided by financial institutions.

The fair values of unlisted equity investments, unlisted debt investments and certain unlisted fund investments are determined by reference to recent transaction prices of the investments or carried at valuations provided by financial institutions or related administrators. The fair values of certain unlisted fund investments are assessed to approximate the net asset values indicated on the net asset value statements issued by the investment fund managers, which take into consideration the fair values of the underlying assets held under the investments. For unlisted investment funds classified under Level 3 of the fair value measurement hierarchy, when the net asset value increases/decreases, the fair value will increase/decrease accordingly. Given there is a diverse portfolio of unlisted equity investments, unlisted debt investments and unlisted fund investments, each of which of insignificant value, there is no separate disclosure on the fair value measurement using significant unobservable inputs (Level 3).

The fair values of the derivative financial instruments, including put options, is determined based on market values provided by financial institutions.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest bearing bank borrowings, other borrowings, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as financial assets at fair value through profit or loss, financial assets at amortised cost, and other loans, which arise directly from its operations.

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

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with floating interest rates. The interest rates and terms of repayment of the Group's interest bearing bank borrowings are disclosed in note 29 to the financial statements. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rate.

For Hong Kong dollar borrowings, assuming the amount of bank borrowings outstanding at the end of the reporting period was outstanding for the whole year, a 100 basis point increase in interest rates would have increased the Group's loss before tax for the current year by HK\$117.3 million (2020 - HK\$107.0 million) and increased the finance cost capitalised by HK\$35.9 million (2020 - HK\$25.6 million). A 10 basis point decrease in interest rates would have decreased the Group's loss before tax for the current year by HK\$11.7 million (2020 - HK\$10.7 million) and decreased the finance cost capitalised by HK\$3.6 million (2020 - HK\$2.6 million).

The sensitivity to the interest rates used above is considered reasonable with the other variables held constant.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Credit risk

The Group only grants credit after making credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31st December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

| As at 31st December, 2021 | 12-month | Lifetime ECLs | | | Total HK\$'million |
|--|----------------|---------------|--------------|--------------|-----------------------|
| | ECLs | Simplified | | | |
| | Stage 1 | Stage 2 | Stage 3 | approach | |
| | HK\$'million | HK\$'million | HK\$'million | HK\$'million | HK\$'million |
| Other loans | 478.9 | – | – | – | 478.9 |
| Trade debtors* | – | – | – | 66.8 | 66.8 |
| Other financial assets included in debtors, deposits and prepayments | | | | | |
| - Normal [#] | 203.1 | – | – | – | 203.1 |
| Restricted cash | | | | | |
| - Not yet past due | 99.2 | – | – | – | 99.2 |
| Pledged time deposits and bank balances | | | | | |
| - Not yet past due | 252.8 | – | – | – | 252.8 |
| Time deposits | | | | | |
| - Not yet past due | 811.8 | – | – | – | 811.8 |
| Cash and bank balances | | | | | |
| - Not yet past due | 1,069.9 | – | – | – | 1,069.9 |
| Loans to a joint venture | 2,222.7 | – | – | – | 2,222.7 |
| Amount due from a joint venture | | | | | |
| - Not yet past due | 132.3 | – | – | – | 132.3 |
| Amounts due from associates | | | | | |
| - Not yet past due | 83.5 | – | – | – | 83.5 |
| Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture | | | | | |
| - Facilities drawn | | | | | |
| - Not yet past due | 2,408.6 | – | – | – | 2,408.6 |
| Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture | | | | | |
| - Facility drawn | | | | | |
| - Not yet past due | 178.6 | – | – | – | 178.6 |
| | 7,941.4 | – | – | 66.8 | 8,008.2 |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

| As at 31st December, 2020 | 12-month ECLs | | Lifetime ECLs | | Total HK\$'million |
|--|-------------------------|-------------------------|-------------------------|--|-----------------------|
| | Stage 1 HK\$'million | Stage 2 HK\$'million | Stage 3 HK\$'million | Simplified approach HK\$'million | |
| Other loans | 535.9 | – | – | – | 535.9 |
| Trade debtors* | – | – | – | 57.4 | 57.4 |
| Other financial assets included in debtors, deposits and prepayments | | | | | |
| - Normal [#] | 307.2 | – | – | – | 307.2 |
| Restricted cash | | | | | |
| - Not yet past due | 88.5 | – | – | – | 88.5 |
| Pledged time deposits and bank balances | | | | | |
| - Not yet past due | 311.3 | – | – | – | 311.3 |
| Time deposits | | | | | |
| - Not yet past due | 81.9 | – | – | – | 81.9 |
| Cash and bank balances | | | | | |
| - Not yet past due | 2,267.1 | – | – | – | 2,267.1 |
| Loans to a joint venture | 2,832.2 | – | – | – | 2,832.2 |
| Amount due from a joint venture | | | | | |
| - Not yet past due | 149.1 | – | – | – | 149.1 |
| Amounts due from associates | | | | | |
| - Not yet past due | 83.5 | – | – | – | 83.5 |
| Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture | | | | | |
| - Facilities drawn | | | | | |
| - Not yet past due | 2,084.7 | – | – | – | 2,084.7 |
| Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture | | | | | |
| - Facility drawn | | | | | |
| - Not yet past due | 178.6 | – | – | – | 178.6 |
| | <u>8,920.0</u> | <u>–</u> | <u>–</u> | <u>57.4</u> | <u>8,977.4</u> |

* For trade debtors to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

[#] The credit quality of the financial assets included in debtors, deposits and prepayments is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade debtors are disclosed in note 21 to the financial statements.

Liquidity risk

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

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

| | 2021 | | | Total HK\$'million |
|---|--|---------------------------------|---------------------------------|-----------------------|
| | Within 1 year or on demand HK\$'million | 1 to 5 years HK\$'million | Over 5 years HK\$'million | |
| Interest bearing bank borrowings | 2,277.8 | 13,864.0 | – | 16,141.8 |
| Trade creditors | 41.8 | – | – | 41.8 |
| Other financial liabilities included in creditors, deposits received and accruals | 366.4 | 104.8 | – | 471.2 |
| Lease liabilities | 11.2 | 21.7 | – | 32.9 |
| Corporate guarantees provided in respect of attributable share of banking facilities utilised by certain subsidiaries of a joint venture | 2,408.6 | – | – | 2,408.6 |
| Corporate guarantee provided in respect of a banking facility utilised by an associate of a joint venture | 178.6 | – | – | 178.6 |
| | <u>5,284.4</u> | <u>13,990.5</u> | <u>–</u> | <u>19,274.9</u> |

| | 2020 | | | Total HK\$'million |
|---|--|---------------------------------|---------------------------------|-----------------------|
| | Within 1 year or on demand HK\$'million | 1 to 5 years HK\$'million | Over 5 years HK\$'million | |
| Interest bearing bank borrowings | 7,585.7 | 6,020.6 | – | 13,606.3 |
| Other borrowing | 2,768.1 | – | – | 2,768.1 |
| Trade creditors | 31.7 | – | – | 31.7 |
| Other financial liabilities included in creditors, deposits received and accruals | 243.1 | 104.5 | – | 347.6 |
| Lease liabilities | 12.3 | 15.8 | – | 28.1 |
| Corporate guarantees provided in respect of attributable share of banking facilities utilised by certain subsidiaries of a joint venture | 2,084.7 | – | – | 2,084.7 |
| Corporate guarantee provided in respect of a banking facility utilised by an associate of a joint venture | 178.6 | – | – | 178.6 |
| | <u>12,904.2</u> | <u>6,140.9</u> | <u>–</u> | <u>19,045.1</u> |

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed and unlisted equity investments classified as financial assets at fair value through profit or loss (note 19) at the end of the reporting period.

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments that are carried at fair value, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

| | Carrying amount of equity investments HK\$'million | Change in loss before tax HK\$'million |
|---|---|---|
| 2021 | | |
| Listed investments: | | |
| – Financial assets at fair value through profit or loss | 1,940.5 | 97.0 |
| Unlisted investments at fair value: | | |
| – Financial assets at fair value through profit or loss | 135.5 | 6.8 |
| | Carrying amount of equity investments HK\$'million | Change in profit before tax HK\$'million |
| 2020 | | |
| Listed investments: | | |
| – Financial assets at fair value through profit or loss | 1,810.6 | 90.5 |
| Unlisted investments at fair value: | | |
| – Financial assets at fair value through profit or loss | 169.8 | 8.5 |

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Capital represents equity attributable to equity holders of the parent. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements except for the obligation under the lease guarantees given by the Company in connection with the leasing of certain hotel properties from Regal REIT and the undertakings under corporate guarantees given by the Company for banking facilities granted to certain subsidiaries and certain subsidiaries and an associate of a joint venture, to maintain a minimum consolidated tangible net worth, which has been complied with during the year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2021 and 31st December, 2020.

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

| | 2021 HK\$'million | 2020 HK\$'million |
|--|----------------------|----------------------|
| Interest bearing bank borrowings and other borrowing | 15,213.2 | 16,013.5 |
| Less: Cash, bank balances and deposits | <u>(2,233.7)</u> | <u>(2,748.8)</u> |
| Net debt | <u>12,979.5</u> | <u>13,264.7</u> |
| Total assets | <u>30,795.9</u> | <u>32,459.3</u> |
| Net debt to total assets ratio | <u>42.1%</u> | <u>40.9%</u> |

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

| | 2021 HK\$'million | 2020 HK\$'million |
|-----------------------------|----------------------|----------------------|
| NON-CURRENT ASSETS | | |
| Investments in subsidiaries | <u>5,445.0</u> | <u>5,451.1</u> |
| CURRENT ASSETS | | |
| Prepayments | 0.3 | 0.2 |
| Cash and bank balances | <u>2.7</u> | <u>2.3</u> |
| Total current assets | <u>3.0</u> | <u>2.5</u> |
| CURRENT LIABILITIES | | |
| Creditors and accruals | <u>(5.2)</u> | <u>(5.0)</u> |
| NET CURRENT LIABILITIES | <u>(2.2)</u> | <u>(2.5)</u> |
| Net assets | <u>5,442.8</u> | <u>5,448.6</u> |
| EQUITY | | |
| Issued capital | 89.9 | 89.9 |
| Reserves (note) | <u>5,352.9</u> | <u>5,358.7</u> |
| Total equity | <u>5,442.8</u> | <u>5,448.6</u> |

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Note:

A summary of the Company's reserves is as follows:

| | Share premium account HK\$'million | Capital redemption reserve HK\$'million | Retained profits HK\$'million | Total HK\$'million |
|--|---|--|-------------------------------------|-----------------------|
| At 1st January, 2020 | 404.7 | 17.7 | 4,995.9 | 5,418.3 |
| Loss for the year | – | – | (5.7) | (5.7) |
| Final 2019 dividend declared | – | – | (53.9) | (53.9) |
| At 31st December, 2020 and 1st January, 2021 | 404.7 | 17.7 | 4,936.3 | 5,358.7 |
| Loss for the year | – | – | (5.8) | (5.8) |
| At 31st December, 2021 | 404.7 | 17.7 | 4,930.5 | 5,352.9 |

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31st March, 2022.



To the shareholders of Regal Hotels International Holdings Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Regal Hotels International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 186, which comprise the consolidated statement of financial position as at 31st December, 2021, 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, 2021, 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 ("HKSA") 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

Impairment assessment of hotel properties

The Group holds several hotel properties in Hong Kong and overseas. As at 31st December, 2021, the carrying amount (before impairment) of hotel properties (included in property, plant and equipment and right-of-use assets) amounted to HK\$18,790.6 million.

The impairment assessment of hotel properties is significant to our audit due to (i) the significance of the carrying amounts as at 31st December, 2021; and (ii) the determination of the recoverable amounts is dependent on a range of estimates, such as estimated room rates, estimated occupancy rates, estimated future cash flows, discount rates and capitalisation rates.

Related disclosures are included in notes 2.4, 3, 13 and 15 to the consolidated financial statements.

How our audit addressed the key audit matter

We discussed the business plans for hotel properties with management. With the assistance from our internal valuation specialists, we also assessed the assumptions and estimates adopted in the discounted cash flow projections prepared by management and valuations performed by external valuers, such as estimated room rates, estimated occupancy rates, estimated future cash flows, discount rates and capitalisation rates, taking into consideration the market conditions and trends, reliability of previous projections and historical evidence supporting underlying assumptions. In addition, we assessed the independence, objectivity and competence of the external valuers.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young

Certified Public Accountants

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

31st March, 2022

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31st December, 2021

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. 1,373 sq. m. (14,779 sq. ft.) | Completed in March 2004 | 100 |
| (2) The Queens No.160 Queen's Road West, Hong Kong | Commercial/residential | Site area - approx. 682 sq. m. (7,342 sq. ft.) Gross floor area - approx. 5,826 sq. m. (62,711 sq. ft.) | Foundation works completed and superstructure works in progress (expected to be completed in 2022) | 100 |
| (3) Nos.227-227A (100% ownership interests) and Nos.227B-227C (interests in over 80% undivided shares) Hai Tan Street, Sham Shui Po, Kowloon, Hong Kong | Commercial/residential | Site area - approx. 431 sq. m. (4,644 sq. ft.) Gross floor area for proposed new development - approx. 3,770 sq. m. (40,580 sq. ft.) | In planning stage | 100 |

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

| | Description | Use | Approx. area | Stage of completion (completion date of development project) | Percentage of interest attributable to the Company |
|-----|--|----------------------------|---|--|---|
| (4) | Domus and Casa Regalia Nos.65-89 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.) Remaining 1 unit and 9 houses (gross floor area - approx. 2,468 sq. m. (26,570 sq. ft.) and 25 car parking spaces held | Occupation permit issued in November 2015 Certificate of compliance obtained in April 2016 | 50 |
| (5) | Mount Regalia 23 Lai Ping Road, Kau To, Sha Tin, New Territories, Hong Kong | Residential | Site area - approx. 17,476 sq. m. (188,100 sq. ft.) Remaining 109 units and 16 houses (gross floor area - approx. 23,395 sq. m. (251,827 sq. ft.)) and 149 car parking spaces held | Occupation permit issued in September 2018 Certificate of compliance obtained in February 2019 | 50 |
| (6) | The Ascent No.83 Shun Ning Road, Sham Shui Po, Kowloon, Hong Kong | Commercial/ residential | Site area - approx. 825 sq. m. (8,879 sq. ft.) Remaining 2 commercial units (gross floor area - approx. 652 sq. m. (7,018 sq. ft.)) and 5 car parking spaces held | Occupation permit issued in March 2018 Certificate of compliance obtained in July 2018 | 50 |

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

| | Description | Use | Approx. area | Stage of completion (completion date of development project) | Percentage of interest attributable to the Company |
|------|--|----------------------------|---|--|--|
| (7) | Nos.291-293 (interests in over 80% undivided shares) and Nos.301-303 (100% ownership interests) Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong | Commercial/ residential | Site area - approx. 488 sq. m. (5,260 sq. ft.) Gross floor area for proposed new development - approx. 4,395 sq. m. (47,307 sq. ft.) | In planning stage | 50 |
| (8) | Nos.9-19 Kam Wa Street, Shau Kei Wan, Hong Kong | Commercial/ residential | Site area - approx. 518 sq. m. (5,580 sq. ft.) Gross floor area for proposed new development - approx. 4,379 sq. m. (47,136 sq. ft.) | Demolition works of existing buildings completed and scheme for new development being finalised | 50 |
| (9) | Fabrik Rua Dos Fanqueiros 156, Lisbon, Portugal | Commercial/ residential | Gross development area - approx. 1,836 sq. m. (19,768 sq. ft.) | Design for the renovation programme approved Renovation works underway (Renovation works expected to be completed by mid 2022) | 100 |
| (10) | 41 Kingsway, London WC2B 6TP, the United Kingdom | Hotel | Gross floor area - approx. 2,150 sq. m. (23,140 sq. ft.) (73 guest rooms) | Renovation works anticipated to be commenced later in 2022 | 100 |

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

| Description | Use | Approx. area | Stage of completion (completion date of development project) | Percentage of interest attributable to the Company |
|---|---|---|--|--|
| (11) Regal Cosmopolitan City 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 | <p>Site area for the whole development - approx. 111,869 sq. m. (1,204,148 sq. ft.)</p> <p>Stages one and two</p> <ul style="list-style-type: none"> a 325-room hotel remaining 12 residential units, 25 commercial units and 471 car parking spaces (Total gross floor area – approx. 5,510 sq. m. (59,310 sq. ft.)) (Casa Regalia (Phase 1)) <p>Stage three</p> <ul style="list-style-type: none"> a six-storey commercial complex with gross floor area of approx. 52,500 sq. m. (565,100 sq. ft.) and five towers of office accommodations with gross floor area of approx. 86,000 sq. m. (925,700 sq. ft.) remaining 594 residential units, 25 commercial units and 1,933 car parking spaces (Total gross floor area – approx. 67,352 sq. m. (724,977 sq. ft.)) (Casa Regalia (Phase 2)) | <p>Stages one and two</p> <ul style="list-style-type: none"> Construction works for 9 residential towers having 1,296 residential units completed in 2017 Hotel portion anticipated to open in phases after the completion of respective fitting-out works <p>Stage three</p> <ul style="list-style-type: none"> The construction works of the commercial and office accommodations in steady progress Superstructure and fitting-out works for 10 residential towers, car parking spaces and commercial accommodations completed in December 2021 | 33.76 |

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

| Description | Use | Approx. area | Stage of completion (completion date of development project) | Percentage of interest attributable to the Company |
|---|---------------------------------|---|---|--|
| (12) Regal Renaissance at the intersection between Weiguo Road and Xinkai Road, Hedong District, Tianjin, PRC | Commercial/ office/ residential | <p>Site area for the whole development - approx. 31,700 sq. m. (341,000 sq. ft.)</p> <ul style="list-style-type: none"> remaining 10 residential units, 500 commercial and office units, and 1,209 car parking spaces (Total gross floor area – approx. 77,182 sq. m. (830,787 sq. ft.)) | <p>Residential towers, commercial complex and residential car parking spaces completed in 1st quarter of 2018</p> <p>Superstructure works of two office towers and the four-storey commercial podium completed in December 2021</p> | 33.76 |

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

PROPERTIES FOR INVESTMENT

| | Description | Use | Lease | Percentage of interest attributable to the Company |
|-----|--|-------------|-------------|--|
| (1) | 5 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong | Residential | Medium term | 100 |
| (2) | Regala Skycity Hotel 8 Airport Expo Boulevard, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong | Hotel | Medium term | 100 |
| (3) | Regal Airport Hotel 9 Cheong Tat Road, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong | Hotel | Medium term | 74.89 |
| (4) | Regal Hongkong Hotel 88 Yee Wo Street, Causeway Bay, Hong Kong | Hotel | Long term | 74.89 |
| (5) | Regal Kowloon Hotel 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong | Hotel | Long term | 74.89 |
| (6) | Regal Oriental Hotel 30-38 Sa Po Road and Shops 3-11 on G/F including Cockloft of Shops 5-7 and the whole of 1/F, Po Sing Court, 21-25 Shek Ku Lung Road, 40-42 Sa Po Road and 15-29 Carpenter Road, Kowloon City, Kowloon, Hong Kong | Hotel | Medium term | 74.89 |

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

| | Description | Use | Lease | Percentage of interest attributable to the Company |
|------|--|----------------------|--------------|---|
| (7) | Regal Riverside Hotel 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong | Hotel | Medium term | 74.89 |
| (8) | iclub Wan Chai Hotel Shops A, B and C on G/F, Flat Roof on 3/F, Whole of 5-12/F, 15-23/F and 25-29/F, Eastern and Western Elevations of External Walls, Architectural Feature at Roof Top and Upper Roof, 211 Johnston Road, Wanchai, Hong Kong | Hotel/ commercial | Long term | 74.89 |
| (9) | iclub Sheung Wan Hotel 138 Bonham Strand, Sheung Wan, Hong Kong | Hotel | Long term | 74.89 |
| (10) | iclub Fortress Hill Hotel 18 Merlin Street, North Point, Hong Kong | Hotel | Long term | 74.89 |
| (11) | iclub Ma Tau Wai Hotel 8 Ha Heung Road, To Kwa Wan, Kowloon, Hong Kong | Hotel | Long term | 74.89 |

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

| | Description | Use | Lease | Percentage of interest attributable to the Company |
|------|--|------------|---------------|---|
| (12) | iclub Mong Kok Hotel 2 Anchor Street, Tai Kok Tsui, Kowloon, Hong Kong | Hotel | Long term | 50 |
| (13) | iclub AMTD Sheung Wan Hotel No.5 Bonham Strand West, Sheung Wan, Hong Kong | Hotel | Long term | 25 |
| (14) | Campus La Mola Cami dels Plans de Can Bonvilar s/n, 08227 - Terrassa, Barcelona, Spain | Hotel | Freehold land | 100 |
| (15) | We Go MALL No.16 Po Tai Street, Ma On Shan, Sha Tin, New Territories, Hong Kong | Commercial | Medium term | 50 |
| (16) | Certain commercial units of Phases 1 and 2 of Regal Renaissance, Intersection of Xinkai Road and Weiguo Road, Hedong District, Tianjin, PRC | Commercial | Medium term | 33.76 |

PUBLISHED FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities, perpetual securities 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, | | | | |
|---|---------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2021 HK\$'million | 2020 HK\$'million | 2019 HK\$'million | 2018 HK\$'million | 2017 HK\$'million |
| Revenue | 986.6 | 678.7 | 2,226.2 | 2,614.1 | 2,560.6 |
| Operating profit before depreciation | 228.0 | 165.5 | 1,318.9 | 1,327.4 | 1,814.7 |
| Depreciation | (537.1) | (522.5) | (530.2) | (512.9) | (503.5) |
| Finance costs | (266.8) | (290.1) | (412.5) | (381.4) | (368.6) |
| Share of profits and losses of: | | | | | |
| Joint ventures | 31.3 | (236.1) | 57.5 | 174.1 | 146.4 |
| Associates | (1.2) | (0.7) | 36.4 | 0.4 | (3.3) |
| Profit/(loss) before tax | (545.8) | (883.9) | 470.1 | 607.6 | 1,085.7 |
| Income tax | 18.2 | (12.9) | (10.5) | (40.8) | (87.4) |
| Profit/(loss) for the year before allocation between equity holders of the parent and non-controlling interests | (527.6) | (896.8) | 459.6 | 566.8 | 998.3 |
| Attributable to: | | | | | |
| Equity holders of the parent | (494.4) | (885.9) | 454.6 | 547.7 | 982.1 |
| Non-controlling interests | (33.2) | (10.9) | 5.0 | 19.1 | 16.2 |
| | (527.6) | (896.8) | 459.6 | 566.8 | 998.3 |

PUBLISHED FIVE YEAR FINANCIAL SUMMARY (Cont'd)

ASSETS, LIABILITIES, PERPETUAL SECURITIES AND NON-CONTROLLING INTERESTS

31st December,

| | 2021 HK\$'million | 2020 HK\$'million | 2019 HK\$'million | 2018 HK\$'million | 2017 HK\$'million |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Property, plant and equipment | 6,327.2 | 8,596.5 | 7,962.4 | 18,529.9 | 18,566.9 |
| Investment properties | 605.3 | 900.6 | 1,052.1 | 1,147.2 | 1,144.7 |
| Right-of-use assets | 13,133.1 | 10,917.3 | 11,197.7 | – | – |
| Properties under development | 445.8 | 444.3 | 443.2 | 897.9 | 762.8 |
| Investments in joint ventures | 3,161.2 | 4,010.1 | 3,967.2 | 3,539.9 | 3,030.8 |
| Investments in associates | 8.9 | 11.3 | 52.9 | 16.5 | 15.8 |
| Available-for-sale investments | – | – | – | – | 294.1 |
| Financial assets at fair value through profit or loss | 659.9 | 743.6 | 755.8 | 550.1 | 1.9 |
| Other loan | 357.0 | – | 1,062.0 | 1,062.0 | 1,062.0 |
| Debtors and deposits | 78.6 | 77.3 | 78.4 | 5.7 | 10.5 |
| Deferred tax assets | 47.7 | 50.1 | 47.5 | 42.9 | 51.7 |
| Intangible assets | 3.6 | – | – | – | – |
| Current assets | 5,967.6 | 6,708.2 | 6,082.8 | 5,945.8 | 6,307.3 |
| Total assets | <u>30,795.9</u> | <u>32,459.3</u> | <u>32,702.0</u> | <u>31,737.9</u> | <u>31,248.5</u> |
| Current liabilities | (2,587.8) | (10,500.9) | (2,198.8) | (1,669.8) | (3,811.0) |
| Creditors and deposits received | (104.8) | (104.5) | (145.0) | (97.0) | (104.0) |
| Lease liabilities | (21.5) | (15.8) | (36.5) | – | – |
| Interest bearing bank borrowings | (13,203.2) | (5,880.2) | (11,309.5) | (10,925.8) | (8,376.1) |
| Other borrowings | – | – | (2,716.7) | (2,725.9) | (2,713.7) |
| Deferred tax liabilities | (747.3) | (801.8) | (839.7) | (883.8) | (921.4) |
| Total liabilities | <u>(16,664.6)</u> | <u>(17,303.2)</u> | <u>(17,246.2)</u> | <u>(16,302.3)</u> | <u>(15,926.2)</u> |
| Perpetual securities | <u>(1,732.9)</u> | <u>(1,732.9)</u> | <u>(1,732.9)</u> | <u>(1,732.9)</u> | <u>(1,732.9)</u> |
| Non-controlling interests | <u>(460.1)</u> | <u>(617.0)</u> | <u>(724.2)</u> | <u>(838.6)</u> | <u>(942.5)</u> |

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