



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)



2025
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)

Kelvin Leung So Po

Jimmy Lo Chun To

Kenneth Ng Kwai Kai

Non-Executive Directors

Francis Choi Chee Ming, GBS, JP

(Vice Chairman)

Belinda Yeung Bik Yiu, JP

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 under

the Accounting and Financial Reporting Council Ordinance

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited

Bank SinoPac, Hong Kong Branch

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

Chong Hing Bank Limited

Dah Sing Bank, Limited

Hang Seng Bank Limited

Hua Xia Bank Co., Limited, Hong Kong Branch

Industrial and Commercial Bank of China (Asia) Limited

Nanyang Commercial Bank, Limited

Oversea-Chinese Banking Corporation Limited

United Overseas Bank Limited, Hong Kong Branch

PRINCIPAL REGISTRAR

Conyers Corporate Services (Bermuda) Limited

Clarendon House, 2 Church Street

Hamilton HM 11, 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

Clarendon House, 2 Church Street

Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

20th Floor, 68 Yee Wo Street

Causeway Bay, Hong Kong

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Mr. Lo Yuk Sui, aged 81; *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 Ms. Lo Po Man and Mr. Jimmy Lo Chun To.

Ms. Lo Po Man, aged 46; *Vice Chairman and Managing Director* – Joined the Group in 2000 and appointed to the Board in 2004. Ms. 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. Ms. Lo graduated from Duke University with a Bachelor’s Degree in Psychology and from The University of Hong Kong with a Master’s Degree in Buddhist Studies. Ms. Lo serves as an Adjunct Professor teaching sustainable business management and impact investing at both The Hong Kong University of Science and Technology and The University of Hong Kong. She has been officially appointed as a Member of the HKSAR Chief Executive’s Policy Unit Expert Group, a Member of the Green Technology and Finance Development Committee, and a Council Member of the Hong Kong University of Science and Technology. She also serves on the Advisory Committee on Mental Health, and the Advisory Committee at the School of Chinese Medicine at the University of Hong Kong. Her additional appointments include the Standing Committee on Values Education, the Hong Kong Academy for Wealth Legacy, and the position of Honorary President of the Hong Kong Federation of Women. She is appointed as Chair of the UNESCAP ESNB Finance Task Force and a member of the Executive Committee of ESNB, and serves as Chair of the Asia Pacific Green Deal for Business Committee. In her executive capacity, she primarily oversees the operation of the Group’s hotel business while also managing corporate investments and business development of the Century City Group. She established the non-profit One Earth Institute to advance impact leadership and systemic innovations through One Earth Alliance and the annual One Earth Summit. Ms. 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 80; *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.

DIRECTORS' PROFILE (Cont'd)

Ms. Kan Lai Kuen, Alice, aged 71; *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. Ms. Kan is also an independent non-executive director of Jolimark Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Professor Japhet Sebastian Law, aged 74; *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 an independent non-executive director of Binhai Investment Company Limited, Tong Tong AI Social 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 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. Leung So Po (Alias: Kelvin), aged 53; *Executive Director* – Appointed to the Board in 2023. Mr. Kelvin Leung is also an executive director of CCIHL and PHL, and an executive director and the chief financial officer of Cosmopolitan. Mr. Leung has been with the Century City Group since 1997, and he is involved in the corporate finance function as well as in the China business division of the Century City Group. Mr. Leung holds a Bachelor's Degree in Business Administration and a Master of Laws Degree in Chinese Business Law both from The Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants. Mr. Leung has over 30 years of experience in accounting and corporate finance field.

Mr. Lo Chun To (Alias: Jimmy), aged 52; *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, 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 property projects of the PHL Group 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 Ms. Lo Po Man.

Mr. Ng Kwai Kai (Alias: Kenneth), aged 71; *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 62; *Independent Non-Executive Director* – Invited to the Board as Independent Non-Executive Director in 2018. Ms. Ng is also an independent non-executive director of CCIHL and PHL. 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, she 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, Director of CUHK Medical Centre, Director of HKBU Chinese Medicine Hospital, Council Member of The Education University of Hong Kong, Supervisor of The Hong Kong Eng Clansman Association Wu Si Chong Memorial School, Honorary Chairs of Board of Governors of Yee Hong Community Wellness Foundation, Advisor of Our Hong Kong Foundation, and Council Member of The Better Hong Kong Foundation. She was Member of Women's Commission and Co-Convenor of Women Empowerment Fund from 2020 to 2026, 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 BlockFin Holdings Limited). Both companies are listed on the Stock Exchange.

DIRECTORS' PROFILE (Cont'd)

Mr. Wong Chi Keung, aged 71; *Independent Non-Executive Director* – Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and PHL. Mr. Wong holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Chartered Governance Institute and The Chartered Institute of Management Accountants. Mr. Wong is a responsible officer for asset management and advising on securities under the SFO. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as Yuexiu Property Company Limited), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Changyou International Group Limited, China Ting Group Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 43 years of experience in finance, accounting and management.

Ms. Yeung Bik Yiu, Belinda, JP, aged 67; *Non-Executive Director* – Appointed to the Board in 2002 as an Executive Director, designated as the Chief Operating Officer in 2007 and re-designated as a Non-Executive Director in July 2024. Ms. Belinda Yeung had been with the Group since 1987 until her retirement in July 2024. Ms. Yeung was in charge of the Group's hotel operations in Hong Kong and the Chinese Mainland when she acted as the Chief Operating Officer. In addition to her hotel management responsibilities, she was also responsible for the human resources management of the Century City Group. Graduated from Barron Hilton School of Hotel Management, University of Houston, U.S.A., Ms. Yeung had devoted her career in the hospitality industry in U.S.A., the Chinese Mainland and Hong Kong - on both multi-unit corporate and single-unit hotel property management levels. Ms. Yeung is Honorary Life Vice President of The Federation of Hong Kong Hotel Owners, Fellow of The Hong Kong Polytechnic University and Honorary Fellow of the Vocational Training Council.



Dear shareholders,

I would like to present herewith the Annual Report of the Company for the year ended 31st December, 2025.

FINANCIAL RESULTS

For the year ended 31st December, 2025, the Group recorded a consolidated loss attributable to shareholders of HK\$1,200.9 million, substantially reduced from the loss of HK\$2,597.8 million incurred in the preceding year.

As explained in the announcement of the Company on Update of Financial Information published on 25th March, 2026, the reduction in the loss reported for the year under review was primarily attributable to the fact that in the financial results for the preceding year, there was a fair value loss of HK\$946.1 million incurred on the Group's investment holdings in Cosmopolitan International Holdings Limited, a listed fellow subsidiary of the Company, which had since been written down to a relatively insignificant value. Moreover, the enhanced performance of the Group's hotel operations as well as the reduction in the Group's finance costs, due to the softening of Hong Kong's interest rates, also contributed to the relatively improved results reported for the year under review.

CHAIRMAN'S STATEMENT (Cont'd)

During the year, the Group's hotel operations and management businesses generated income of HK\$710.6 million, an increase of approximately 17.8% over the comparative amount in 2024. Gross profit of the Group for the year amounted to HK\$811.3 million, an increase of approximately 18.0% year-on-year. Operating gain before finance costs and depreciation for the year amounted to HK\$392.9 million, reversing from the loss of HK\$706.4 million in 2024 which, as explained before, was adversely affected by the fair value loss on financial assets.

As the Group's hotel properties in Hong Kong are all owned and operated by subsidiaries of the Company, they are required to be subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on the Group's hotel properties in Hong Kong for the year under review amounted to HK\$575.2 million (2024 - HK\$582.8 million). Although these depreciation charges do not have impact on the Group's cash flow, they had nevertheless adversely affected the Group's financial results.

Based on their independent professional market valuations as at 31st December, 2025, the aggregate market value of the Group's hotel properties in Hong Kong was still well above their total carrying value, as they were subject to accumulated depreciation charges. For the purpose of reference, an Adjusted Net Assets Statement is presented in the section headed "Management Discussion and Analysis" in this Annual Report, which illustrated that, if all such properties were to be stated in the Group's financial statements at their market valuations as at 31st December, 2025, the Group's adjusted net assets would amount to HK\$15,012.1 million and the underlying adjusted net asset value of the Company would amount to HK\$16.70 per share, on the basis therein stated.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

The global economy has shown notable resilience to heightened trade tensions and policy uncertainty, with global growth estimated to have averaged 2.7% in 2025.

Despite the complex changes in the domestic and global economic environments, the Gross Domestic Product (GDP) for China in 2025 increased by 5.0% over the previous year at constant prices, with its national economy successfully pushed forward by innovation-led and high-quality development. Hong Kong's economy recorded a growth of 3.5% in 2025, which was above the high-end forecast of 3.0% made by the Hong Kong Government in August 2025.

In 2025, Hong Kong welcomed about 49.9 million visitors, representing a year-on-year increase of 12.1%. While visitors from the Chinese Mainland remained predominantly the single largest market segment, encouraging growth was seen in the number of visitors from most other short haul as well as the long haul markets. Although the number of total visitor arrivals in 2025 was still behind the historical peak recorded in 2018, the recovery trend of Hong Kong's tourist industry is obvious and solid. According to the Hong Kong Tourism Board (HKTB), overnight visitors accounted for 46.5% of all visitors in 2025, with an average length of stay of 3.1 nights in Hong Kong.

Based on the hotel survey published by the HKTB, the average hotel occupancy rate for all the surveyed hotels in different categories in 2025 was 87.0%, an increase of 2.0 percentage points from 2024, but the industry-wide average room rate had contracted by 5.2%, with the average Revenue per Available Room (RevPAR) having overall decreased by 2.9% year-on-year.

HOTEL OWNERSHIP

The Regala Skycity Hotel is the second hotel developed by the Group at the Hong Kong International Airport. This hotel has over 1,200 well decorated hotel rooms and suites, complemented with a full range of food and beverage and conference facilities catering to Meeting, Incentives, Conference and Exhibitions (MICE) businesses, with direct linkage to the Asia World Expo, the 11 Skies compound as well as the expanded Terminal 2 of the Hong Kong International Airport soon to be opened for passenger traffic in May this year.

During the year, the operating performance of this hotel continued to improve, with its RevPAR having enhanced by 7.8% year-on-year. Consequently, its overall net property income had increased by 27.9% over the preceding year.

It can be expected that when the Terminal 2 at the Hong Kong International Airport becomes fully operational, substantial additional businesses will be generated for the Regala Skycity Hotel.

The Group also owns a 186-room hotel in Barcelona in Spain, which is under lease to a third-party operator and yielding satisfactory rental income.

Further detailed information on the Regala Skycity Hotel and the Barcelona hotel is contained in the section headed "Management Discussion and Analysis" in this Annual Report.

REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2025, 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, 2025, Regal REIT recorded a consolidated loss before distributions to unitholders of HK\$171.9 million, as compared to a loss of HK\$204.4 million in the preceding year. The loss recorded for the year under review included a fair value loss of HK\$188.5 million arising from the changes in the appraised values of Regal REIT's investment property portfolio, after accounting for the additional capital expenditures incurred, while for the comparative financial year in 2024, a fair value loss of HK\$128.8 million was recorded. If the effects of these fair value changes are excluded, Regal REIT would report a core operating profit of HK\$16.6 million for 2025, as compared to a loss of HK\$75.6 million in 2024. The core operating profit achieved was mainly attributable to the decrease in the financial expenses incurred, which was reduced to HK\$508.4 million (2024 - HK\$640.4 million), as the Hong Kong Interbank Offered rates (HIBOR), on which the borrowing costs of a majority part of Regal REIT's bank loans are based, had gradually softened during the year.

Apart from the Regala Skycity Hotel, all the other nine hotels of the Group operating in Hong Kong, comprising five Regal Hotels and four iclub Hotels, are owned through Regal REIT. Except for the iclub Wan Chai Hotel, all the other eight hotels are leased by Regal REIT to a wholly owned subsidiary of the Company for operations. The operating highlights of these eight leased hotels are included in the sub-section headed "Hotel Operations" below.

The iclub Wan Chai Hotel is the first iclub hotel in Hong Kong and has been self-operated by Regal REIT since 2011. Business operations at this hotel continued to perform steadily and generated a modest gross operating profit during the year.

CHAIRMAN'S STATEMENT (Cont'd)

In December 2025, Regal REIT entered into a binding letter of intent and, subsequently in March 2026, a second supplemental lease agreement with the Airport Authority Hong Kong, pursuant to which the Sub-Lease for the Regal Airport Hotel has been formally extended for a further term of three years from 31st December, 2028 to 30th December, 2031. Further details on the terms for the extension of this sub-lease were contained in the joint announcement by the Company dated 15th December, 2025.

The REIT Manager conducts regular holistic review of the properties owned by Regal REIT, having regard to their income generation capabilities, future capital requirements, prevailing market conditions as well as Regal REIT's overall portfolio strategy. Aligning with Regal REIT's objective of delivering long-term stable returns through disciplined capital management, asset recycling and selective reinvestments, Regal REIT has most recently entered into a legally binding preliminary agreement in March 2026 with an independent third party for the sale of its entire equity interests in an intermediate holding company of the company that directly holds the Regal Oriental Hotel in Kowloon City, based on an agreed property value of HK\$1,518.0 million for the hotel property. Shareholders can refer to the joint announcement published by the Company on 22nd March, 2026 for the full details of this sale transaction. Upon completion of this sale transaction, the Group expects to record an accounting gain, before tax and non-controlling interests, of approximately HK\$800.0 million which will be reflected in the results for the 2026 financial year.

HOTEL OPERATIONS

Favour Link International Limited, a wholly owned subsidiary of the Company, is the lessee operating all the eight hotels under leases from Regal REIT.

Despite the strong increase in tourist arrivals, hotel operators in Hong Kong were still faced with challenges from the changed spending habits of the incoming visitors, a strong Hong Kong dollar, the cross-border consumption pattern as well as the increase of frontline staff costs. Nevertheless, the Group's hotel properties were able to manage the market transformation and achieved satisfactory increases in their average RevPAR as well as in their overall net property income during the year under review.

As regarding the five Regal Hotels in Hong Kong, their overall operating performance improved progressively during the year. The combined average RevPAR of these five hotels in 2025 had enhanced by approximately 9.5% year-on-year, with their aggregate net property income increasing by approximately 19.3% over the preceding year, albeit still below the aggregate base rent of HK\$550.0 million for 2025.

The market rental review for these five Regal Hotels for 2026 was completed in September 2025 and their aggregate annual base rent determined to be HK\$553.0 million, which is about 0.5% above the aggregate base rent for 2025. The variable rent will continue to be based on 50% sharing of the excess of their aggregate net property income over the aggregate base rent.

The three iclub Hotels that are also under lease from Regal REIT, namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel, had also attained satisfactory operating results in 2025. Their combined average RevPAR during the year had enhanced by approximately 13.6% year-on-year, with their aggregate net property income having also increased by approximately 17.5% over 2024.

Based on the market rental reviews determined by the independent property valuer under the terms of the leases, the aggregate base rent for these three iclub Hotels for 2026 was determined to be HK\$126.0 million, which is about 2.4% above the aggregate base rent in 2025, with variable rent continuing to be based on 50% sharing of the excess of the net property income over the base rent of the respective hotels.

Further details on the hotel properties of the Group are contained in the section headed "Management Discussion and Analysis" in this Annual Report.

HOTEL MANAGEMENT

The Regala Skycity Hotel as well as the five Regal Hotels and four iclub Hotels owned by Regal REIT are all managed by Regal Hotels International Limited (RHI), the wholly owned management arm of the Group. In addition, RHI is also the hotel manager managing the iclub Mong Kok Hotel and the iclub AMTD Sheung Wan Hotel that are owned 100% and 50%, respectively, by P&R Holdings Limited, a 50/50 joint venture between the Company and Paliburg Holdings Limited, the intermediate listed holding company of the Company.

In China, the Group is providing management services to one hotel in Shanghai and one hotel in Dezhou operating under the Regal brand. The Group will continue to look for opportunities to expand its hotel management network in China.

PROPERTIES

After three consecutive years of market consolidation, the residential market in Hong Kong recovered gradually in 2025. While home prices have risen moderately since April last year, home rentals have increased by a larger extent, mainly benefiting from the influx of new immigrants under the Top Talent Pass Scheme.

The latest relaxation announced by the Hong Kong Government in 2025 on the Ad Valorem Stamp Duty payable on residential properties valued below HK\$4.0 million has activated property transactions from new entry-level buyers as well as those looking for home upgrades. Moreover, with the lowering of the borrowing costs due to the softening of the interest rates and the wealth effect brought forth by the relatively buoyant capital market in 2025, overall market confidence has been gradually restoring. Although developers in Hong Kong are still accelerating the sale of their new built residential units, the overall level of unsold inventories has declined and it is also projected that new supply will begin to contract in the next three years.

All these factors are indicative that the residential market in Hong Kong has bottomed out and is heading for a steady rebound.

As mentioned before, the property business of the Group is mainly conducted through the joint venture at P&R as well as through wholly owned subsidiaries of the Company.

The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R. The development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. Since the beginning of 2025 to date, P&R has concluded contracts for the sale of 2 houses (including a house which was previously sold under a sale agreement that has been defaulted by the purchaser) and 28 apartment units. Apart from those houses and apartment units that have been sold (including those contracted sales that are yet pending completion), P&R still owns 3 houses and 49 apartment units in this development, which command significant value.

CHAIRMAN'S STATEMENT (Cont'd)

In addition, P&R also owns a mixed portfolio of completed properties and hotels as well as properties held for development in Hong Kong.

As regarding the property development business undertaken by the Group itself, The Queens at Queen's Road West is a commercial/residential development that was completed in late 2022. It has a total 130 residential units with club house and commercial accommodations. The Group relaunched the sale of the remaining 123 residential units in June 2025 and, up to this date, all those remaining units have been sold and generated substantial sales proceeds. The Group also owns a site at Hai Tan Street in Sham Shui Po, which is intended for a commercial/residential development.

The Group has recently entered into contract for the sale of one garden house in Regalia Bay, Stanley, a luxury residential development jointly developed by the Group in earlier years, at a satisfactory price, which is pending completion. Other than the house contracted to be sold, 7 garden houses in Regalia Bay are still being retained. Some of these remaining houses will continue to be disposed of.

As mentioned before, the Group has proceeded with the disposal of the property held in London, which transaction has been duly completed in September 2025, as well as the renovation-for-sale project held in Lisbon, Portugal, which sale is expected to be completed in May 2026.

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

AIRCRAFT OWNERSHIP AND LEASING

Although the Group's previous investments in this business segment have been highly rewarding, but having regard to its capital intensive nature and the latest change in the operating environment of the aviation industry, the Group does not have any plans to reinvest in this segment in the near term.

OUTLOOK

Global growth is forecast to edge down to 2.6% in 2026, driven by a notable slowdown in demand for traded goods and softening domestic demand in many major economies. Under the uncertainty of the United States trade policies and the heightened geopolitical tensions, particularly now in the Middle East region which is impacting the global energy ecosystem, there is still a high level of uncertainties in the global economic outlook. However, Hong Kong had registered a robust GDP growth of 3.5% in 2025 and it is anticipated that it will be able to maintain a steady growth trend in 2026.

To ensure the continuing success in the holding of mega events, the HKTB has been actively collaborating with different organisers and sponsors to stage a line-up of world-class mega events, festivities, international conferences and exhibitions year-round. This is expected to generate substantial economic benefits to different market sectors of the tourist industry in Hong Kong, including hotel, meeting and exhibition venues, retail as well as food and beverage and catering businesses.

2026 marks the first year of China's 15th Five-Year Plan and the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) will enter a period of full acceleration. With the support of the Central Government, the economy of Hong Kong should be able to further expand through its deepened integration with the GBA and the development of its new growth drivers in the innovation and technology sectors.

The 1-month HIBOR has further softened to the range of 2.0% to 2.5% per annum recently. If HIBOR continues to hover around this relatively lower level in the remaining part of this year, the directors of the REIT Manager expect the distributable income of Regal REIT to further increase in 2026, due to the anticipated reduction in its financial expenses.

The REIT Manager will continue to watch out for appropriate assets repositioning and enhancement opportunities, with a view to securing for the unitholders a stable return in the long term.

Over the past year, the Group has successfully implemented the planned disposal of some of its assets, with a view to reducing its indebtedness level and to generating capital to rejuvenate and enhance its assets portfolio.

Although the external economic environment remains volatile, the Directors believe in the resilience of the Hong Kong economy and are optimistic that, as the operating environment in Hong Kong further improves, the Group will be able to gradually restore its financial strength and to regain profitability.

DIRECTORS AND STAFF

Finally, I would like to take this opportunity to thank Mr. Allen Wan, who retired in January this year, for his past valuable service as an Executive Director since 2010. Furthermore, I would also like to express my gratitude to my other fellow colleagues on the Board and all management and staff members for their contribution and efforts over the past year.

LO YUK SUI

Chairman

Hong Kong
30th March, 2026

REGALA SKYCITY HOTEL

CHEK LAP KOK • HONG KONG



Regala Suite



Regala Grand Ballroom



the Jade



Petra

REGAL AIRPORT HOTEL

CHEK LAP KOK • HONG KONG



Regal Ballroom



Royal Suite



Café Aficionado

REGAL HONGKONG HOTEL

CAUSEWAY BAY • HONG KONG



Regal Ballroom



Regal Palace



Executive Club Superior Room



REGAL KOWLOON HOTEL

TSIM SHA TSUI • HONG KONG



Executive Club Room



V Bar & Lounge



Versailles Ballroom

REGAL ORIENTAL HOTEL

KOWLOON CITY • HONG KONG



Communal Lounge



The China Coast Pub + Restaurant



Presidential Suite

REGAL RIVERSIDE HOTEL

SHA TIN • HONG KONG



Executive Suite



L'eau Restaurant



Riverside Ballroom

iclub WAN CHAI HOTEL

WAN CHAI • HONG KONG



iSuite Premier



iPlus Premier



iLounge



iclub SHEUNG WAN HOTEL

SHEUNG WAN • HONG KONG



Lobby



iBusiness



iLounge

iclub FORTRESS HILL HOTEL

FORTRESS HILL • HONG KONG



Carpark



Connecting Room



iLounge



iclub TO KWA WAN HOTEL

TO KWA WAN • HONG KONG



Hotel Lobby



iSelect Premier



iLounge

CAMPUS LA MOLA

BARCELONA • SPAIN



Swimming pool



Conference room



Guestroom

REGAL JINFENG HOTEL

SHANGHAI • CHINESE MAINLAND



Regal Ballroom



Executive club room



Regal Court

REGAL KANGBO HOTEL

DEZHOU • CHINESE MAINLAND



Deluxe room



Forum



Chinese restaurant

REGALIA BAY

STANLEY • HONG KONG



Swimming pool in club house



Garden house



Club house

THE QUEENS

QUEEN'S ROAD WEST • HONG KONG



Completed in August 2022



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



Sky Garden

* Artist impression

REHABILITATION PROJECT IN LISBON



Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal (*)
- rehabilitation renovation works completed



Dining room (*)



Living room (*)



Kitchen (*)

* Artist impression

MOUNT REGALIA

KAU TO • HONG KONG



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



Dining room of a garden house



Study room 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



Exterior view of the garden houses at Casa Regalia



Living room of a garden house

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



Chinese restaurant - Dragon Terrace



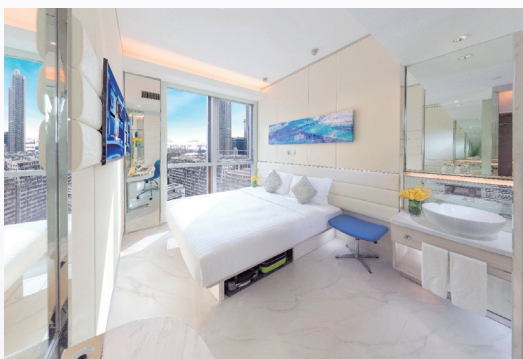
Chinese restaurant - Dragon Inn

iclub MONG KOK HOTEL

MONG KOK • HONG KONG



Lobby



iBusiness Premier



iLounge



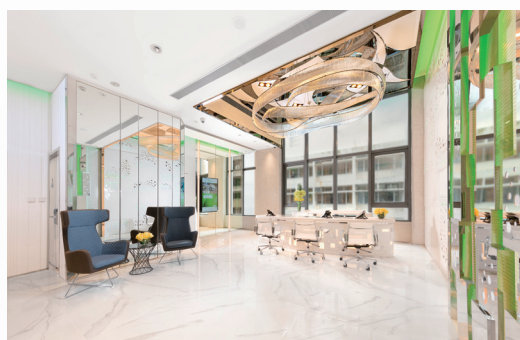
iclub Mong Kok Hotel at 2 Anchor Street, Mong Kok, Kowloon, Hong Kong

iclub AMTD SHEUNG WAN HOTEL

SHEUNG WAN • HONG KONG



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



Lobby



iSuite Premier



iLounge

COMPOSITE DEVELOPMENT

CHENGDU • CHINESE MAINLAND



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



Casa Regalia (Phase 1 and Phase 2) - residential component of Regal Cosmopolitan City

* Artist impression

COMPOSITE DEVELOPMENT

CHENGDU • CHINESE MAINLAND



Regal Cosmopolitan City - Hotel and commercial/office towers



Hotel and commercial/office towers



COMPOSITE DEVELOPMENT

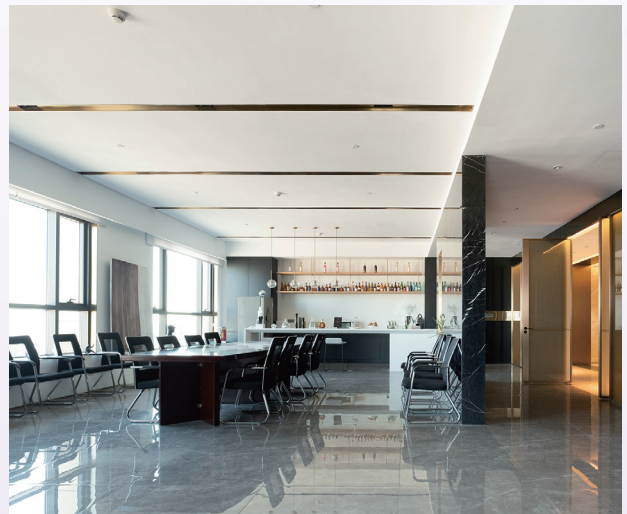
TIANJIN • CHINESE MAINLAND



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



Lobby of an office tower



Multi-functional room in an office tower

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"), 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 for the year, including the commentary on the business sectors in which the Group operates, the changes in the general market conditions and their potential impact on its operating performance and future prospects, is contained in the preceding Chairman's Statement as well as in this section.

The Group has no immediate plans for acquisition of material investments or capital assets, other than those disclosed in the preceding Chairman's Statement and in this section.

A brief review on the development projects and properties of the Group (other than those owned by Regal REIT), which are all wholly owned by the Group, and those undertaken by P&R 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

Regala Skycity Hotel, the Hong Kong International Airport

In February 2017, a wholly owned subsidiary of Regal secured the award from the Airport Authority in Hong Kong of the development right for this 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). 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. It has direct linkage to the Asia World Expo, the 11 Skies compound as well as the expanded Terminal 2 of the Hong Kong International Airport scheduled to become operational in May 2026. The hotel licence was issued in November 2021 and the hotel grand opened in April 2023.

This new hotel embraces a wide range of sustainable features in its building design, construction and operation and was awarded Gold Rating under BEAM Plus Certification and EarthCheck Design Certified Gold Rating. The hotel also received a number of international design awards.

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 has been developed into a commercial/residential building with gross floor area of about 5,826 square metres (62,711 square feet). The building has a total of 130 residential units with club house facilities on the second floor, a landscape garden on the third floor and commercial accommodations on the ground and first floors. The occupation permit was obtained in August 2022.

The 123 residential units remaining held in The Queens were relaunched for sale in June 2025 and the market response was very favourable. Up to this date, all the 123 relaunched residential units have been sold for an aggregate gross consideration of HK\$923.2 million.

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

100% ownership interests in the subject redevelopment properties have been acquired through the judicial proceedings for Land Compulsory Sale. The project has a total site area of 431 square metres (4,644 square feet) and is intended for a commercial/residential development with gross floor area of about 3,691 square metres (39,733 square feet). Demolition works of the existing buildings had been completed in February 2025 and the ground investigation and field works completed in May 2025.

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

The Group has recently entered into contract for the sale of one garden house at a satisfactory price, which is pending completion. Other than the house contracted to be sold, 7 garden houses with total gross area of about 3,203 square metres (34,481 square feet) are still being retained. Some of these remaining houses will continue to be disposed of.

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 is presently under lease to an independent third party, which is generating steady rental income.

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 2019. 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).

In July 2025, the Group entered into an agreement with a third-party purchaser for the sale of its entire equity interests in the wholly owned subsidiary that holds this property for a headline purchase price of GBP19.5 million (equivalent to approximately HK\$204.0 million). Completion of this transaction took place in September 2025. Detailed information on this transaction was contained in the joint announcement by the Company dated 29th July, 2025.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

This is a rehabilitation and renovation project for a historical building located in a heritage conservation area of Lisbon, acquired in 2019 by an entity that is now wholly 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 renovation works had been completed and the relevant usage permits were obtained in August 2024.

In May 2025, the Group entered into an agreement for the divesture of its entire equity and loan interests in the company holding the property to a group of independent third-party investors for a cash consideration of EUR9.3 million (equivalent to approximately HK\$83.9 million). A non-refundable deposit of EUR3.2 million has already been received by the Group. Completion of this disposal transaction is expected to take place in May 2026.

JOINT VENTURE - P&R HOLDINGS LIMITED

P&R 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. P&R's 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 undertaken and properties owned by the P&R group in Hong Kong (which, unless otherwise denoted, are all wholly owned by the P&R 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. Apart from 1 house that has been contracted to be sold, pending completion, 6 houses in Casa Regalia are still being retained and will continue to be disposed of.

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.

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

This is a project undertaken pursuant to a tender award from 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. All the residential units as well as certain shops and car parks had already been disposed of. The remaining 2 shops and 5 car parks will continue to be sold.

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 car parking 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 date, a total of 21 garden houses and 87 apartment units have been sold or contracted to be sold for a total sale price of HK\$5,614.3 million, including 28 apartment units and 2 houses (including a house which was previously sold under a sale agreement that has been defaulted by the purchaser) that were sold or contracted to be sold since the beginning of 2025 to date. Sale transactions completed during the year included 2 houses (including the house that was previously leased with an option for the lessee to purchase) and 22 apartment units (total sale price of HK\$1,001.3 million) and the profits derived therefrom accounted for in the results under review.

Apart from those houses and apartment units that have been contracted to be sold, but yet pending completion, P&R still owns 3 houses and 49 apartment units in this development, which command significant value.

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

This is a hotel development project undertaken through a tender award from 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, which commenced business in March 2019. The hotel is presently self-operated by P&R and managed by the Group.

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 7,118 square metres (76,618 square feet).

Following its divestiture of a 50% beneficial interest in December 2019, the property is presently 50% owned by P&R. This hotel was officially opened for business in November 2020 and has since been 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 had been completed and the scheme for a commercial/residential development is being finalised. The development works for this development site are planned to be commenced shortly.

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

Following the conclusion of the Land Compulsory Sale process in August 2024, the Group has successfully consolidated 100% ownership interests in the subject properties.

Certain parts of the existing properties at Nos.301-303 Castle Peak Road 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. Demolition works for the existing buildings at Nos.291-293 Castle Peak Road had been completed. Demolition works for the existing buildings at Nos.301-303 Castle Peak Road are in progress. Further development works for this development site are also planned to be commenced shortly.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan is a listed subsidiary of PHL held through P&R. 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).

All the residential units in the latest phase of the development had been sold in prior years. Total proceeds from the sales of the residential units amounted to approximately RMB2,048.3 million (HK\$2,314.0 million).

The sale of the shops with about 4,110 square metres (44,250 square feet) comprised in the latest phase of the residential site in the development project is in progress. Up to date, a total of 4,002 square metres (43,078 square feet) of shops have been sold, for aggregate sale considerations of approximately RMB93.2 million (HK\$107.5 million). The sale of the 1,387 car parking spaces is continuing and, up to date, 593 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB58.9 million (HK\$67.4 million). Most of these sale transactions have already been completed and the revenues accounted for in prior financial years.

The remaining commercial components of the final stage of the development comprise 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). With the formal issue of the Completion Certificate for the last four office towers and the shopping arcade blocks, all the development works for the entire project have virtually been completed.

The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 19,400 square metres (208,800 square feet), commenced in 2021. Up to date, 368 office units with a total of about 16,411 square metres (176,648 square feet) have been sold under contracts or subscribed by prospective purchasers, for an aggregate sale consideration of RMB141.0 million (HK\$159.0 million).

The sale of the shops of about 2,650 square metres (28,550 square feet) comprised in the commercial portion of the office tower on sale commenced in 2022. Up to date, a total of 5 shop units of about 274 square metres (2,949 square feet) have been sold, for aggregate sale considerations of approximately RMB8.1 million (HK\$9.3 million).

The Cosmopolitan group entered into an agreement in January 2026 for the sale of the hotel block within the development to a third party purchaser for hotel operations at a gross consideration of RMB143.0 million. This transaction is anticipated to be completed in the second quarter of this year and the net proceeds to be received will be used by the Cosmopolitan group to reduce its indebtedness and to replenish its working capital.

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).

All residential units in this development had been sold. The programme for the sale of shops with a total area of about 19,000 square metres (205,000 square feet) in the commercial complex is ongoing. Up to date, shops with a total area of 16,050 square metres (172,762 square feet) have been sold for aggregate sale considerations of approximately RMB374.1 million (HK\$419.5 million). Certain parts of the commercial complex have been leased out for rental income.

The remaining components in this development, which have all been completed, mainly consist of two office towers atop of a four-storey podium.

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 of the required re-forestation area, land grant listing and tender procedures are completed. The Cosmopolitan group will be entitled to participate in the tender of such land use right and monetary compensation in reference to the re-forestation cost of the Cosmopolitan group incurred.

The Cosmopolitan group continues to maintain the overall re-forested area. 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.

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 To Kwa Wan 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 To Kwa Wan 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 Regala Skycity Hotel completed in 2021 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, 2025, the Group's unaudited adjusted net asset and the unaudited adjusted net asset value per ordinary share of the Company would be HK\$15,012.1 million and HK\$16.70 per share, respectively, computed as follows:

	As at 31st December, 2025	
	HK\$'million	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	5,296.6	5.89
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value	9,715.5	10.81
	<hr/>	<hr/>
Unaudited adjusted net assets attributable to equity holders of the parent	15,012.1	16.70
	<hr/> <hr/>	<hr/> <hr/>

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.

Hotel and property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing in Hong Kong is normally arranged to cover a part of the land cost and a major portion or the entire amount of the construction cost, with the loan maturity tied in to the estimated project completion date. Project financings for the projects in overseas may be arranged, if terms are considered appropriate, to cover a part of the land costs and/or construction costs, and with the loan maturities aligning with the estimated project completion dates and/or sales forecast.

The Group's banking facilities are mostly denominated in Hong Kong dollars with interest primarily determined by reference to the interbank offered 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 regards the Group's overseas investments which are denominated in currencies other than US dollars and Hong Kong dollars, the Group may consider, when deemed appropriate, hedging part or all of the investment amounts into US dollars or Hong Kong dollars to contain the Group's exposure to currency fluctuations.

Cash Flows

During the year under review, there were net cash flows generated from operating activities of HK\$1,359.5 million (2024 - HK\$428.6 million). Net interest payment for the year amounted to HK\$663.4 million (2024 - HK\$831.6 million).

Borrowings and Gearing

As at 31st December, 2025, the Group had cash and bank balances and deposits of HK\$809.0 million (2024 - HK\$1,093.8 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$13,611.8 million (2024 - HK\$14,500.6 million).

As at 31st December, 2025, the gearing ratio of the Group was 59.5% (2024 - 58.1%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK\$13,611.8 million (2024 - HK\$14,500.6 million), as compared to the total assets of the Group of HK\$22,872.5 million (2024 - HK\$24,973.7 million).

On the basis of the adjusted total assets as at 31st December, 2025 of HK\$35,388.5 million (2024 - HK\$37,554.8 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 38.5% (2024 - 38.6%).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2025 are shown in notes 28 and 29 to the financial statements.

Lease Liabilities

As at 31st December, 2025, the Group had lease liabilities of HK\$164.3 million (2024 - HK\$10.6 million).

Pledge of Assets

As at 31st December, 2025, the Group's properties under development and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$18,343.5 million were pledged to secure banking facilities and other loan 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 equity interests in the relevant holding companies of certain property interests and financial assets at fair value through profit or loss were also pledged to secure the bank and other borrowings of the Group.

As at 31st December, 2024, the Group's properties under development and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties held for sale, time deposits and bank balances in the total amount of HK\$19,871.2 million were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. The equity interests in the relevant holding company of a property development project were also pledged to secure the other borrowing of the Group.

Capital Commitments

There is no capital commitment of the Group as at 31st December, 2025 (2024 - Nil).

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2025 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

Disposal of a Property Holding Company

On 29th July, 2025, Solarmoon International Limited (the "Seller"), a wholly owned subsidiary of the Company, and the Company as the Seller's guarantor entered into a share purchase agreement with MNX Properties Limited (the "Purchaser") for the entire issued share capital of Waterman House Investments Limited ("Waterman House Investments") for a headline purchase price of GBP19.5 million (equivalent to approximately HK\$204.0 million) (the "Disposal"). Waterman House Investments is the sole legal and beneficial owner of Waterman House, located at 41 Kingsway, London, United Kingdom (the "Property").

The consideration of a headline purchase price of GBP19.5 million was determined after a competitive process and arm's-length negotiation between the Seller and the Purchaser. In determining the consideration, the Seller has taken several factors into consideration, including the acquisition price paid for the Property, the Property being offered with vacant possession, the prime location of the Property, and transacted prices for comparable freehold commercial properties located in Central London over the past 3 years.

The Disposal constituted a major transaction for the Company under Chapter 14 of the Listing Rules and was subject to the reporting, announcement, circular and shareholders' approval requirements. As an ordinary resolution to approve the Disposal was duly passed at the special general meeting of CCIHL held on 22nd September, 2025, the written shareholders' approval of the Disposal from a closely allied group of shareholders of the Company in aggregate holding approximately 53.7% of the issued share capital of the Company pursuant to Rule 14.44 of the Listing Rules has become effective. The Disposal was completed on 29th September, 2025 and Waterman House Investments was ceased to be a subsidiary of the Company. Further details relating to the Disposal were disclosed in the joint announcements of the Company dated 29th July, 2025, 22nd September, 2025 and 29th September, 2025, and the circular of the Company dated 2nd September, 2025.

Relevant details relating to the Disposal are disclosed in note 36 to the financial statements.

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

STAFF AND REMUNERATION POLICY

The Group employs approximately 1,550 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.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and its subsidiaries for the year ended 31st December, 2025.

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”), 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, 2025 and the Group’s financial position at that date are set out in the financial statements on pages 72 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 7 to 13 and pages 38 to 47, 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 43 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 separate Sustainability Report of the Company, which will be published together with this Annual Report. 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 (2024 - 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, 2025 (2024 - Nil).

ANNUAL GENERAL MEETING

The 2026 Annual General Meeting of the Company will be convened to be held on Wednesday, 10th June, 2026. 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 2026 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Friday, 5th June, 2026 to Wednesday, 10th June, 2026, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to be entitled to attend and vote at the 2026 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 Thursday, 4th June, 2026.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Ms. Lo Po Man
Dr. Francis Choi Chee Ming, GBS, JP
Ms. Alice Kan Lai Kuen
Professor Japhet Sebastian Law
Mr. Kelvin Leung So Po
Mr. Jimmy Lo Chun To
Mr. Kenneth Ng Kwai Kai
Ms. Winnie Ng, JP
Mr. Wong Chi Keung
Ms. Belinda Yeung Bik Yiu, JP

On 28th January, 2026, Mr. Allen Wan Tze Wai resigned as an Executive Director.

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 2026 Annual General Meeting:

- (i) Mr. Lo Yuk Sui (Executive Director, Chairman and Chief Executive Officer);
- (ii) Mr. Kelvin Leung So Po (Executive Director);
- (iii) Mr. Wong Chi Keung (Independent Non-Executive Director); and
- (iv) Ms. Belinda Yeung Bik Yiu, JP (Non-Executive Director).

REPORT OF THE DIRECTORS (Cont'd)

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2026 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 provided 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.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2025, 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 C3 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, 2025)
				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%)
	Ms. Lo Po Man	Ordinary (issued)	569,169	–	–	569,169 (0.06%)
	Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	–	–	50,240,000 (5.59%)
	Mr. Kelvin Leung So Po	Ordinary (issued)	200	–	–	200 (0.000%)
	Mr. Allen Wan Tze Wai (Note h)	Ordinary (issued)	10,200	–	–	10,200 (0.001%)
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	111,815,396	2,032,315,326 (Note a)	380,683	2,144,511,405 (69.34%)
	Ms. Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
	Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	–	–	4,000 (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%)
	Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	200	–	–	200 (0.000%)

REPORT OF THE DIRECTORS (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2025)
				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%)
		Ms. Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	50,185	–	–	50,185 (0.005%)
		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)	–	1,171,504,279 (Note d)	–	1,171,504,279
			(ii) (unissued)	–	1,291,775,147 (Note e)	–	1,291,775,147
							Total: 2,463,279,426 (150.23%)
			Preference (issued)	–	229,548,733 (Note e)	–	229,548,733 (99.99%)
		Ms. Lo Po Man	Ordinary (issued)	414,000	–	–	414,000 (0.03%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	680,730	–	–	680,730 (0.04%)

	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, 2025)
				Personal interests	Corporate interests	Family/Other interests	
5.	Regal REIT	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note f)	–	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note g)	–	1,000 (100%)

Notes:

- (a) (i) The interests in 1,973,420,928 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").
- (ii) The interests in the other 58,894,398 issued ordinary shares of CCIHL were derivative interests held by YSL International Holdings Limited ("YSL Int'l"), a company wholly owned by Mr. Lo, under the right of first refusal to purchase such shares granted by the Dalton Group (comprising Dalton Investments LLC and its two affiliates).
- (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 67.43% 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 67.43% 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.

REPORT OF THE DIRECTORS (Cont'd)

- (d) The interests in 1,006,851,215 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings Limited ("P&R"), which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. The interests in the other 111,319,732 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. The interests in the other 53,333,332 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 67.43% shareholding interests in CCIHL.
- (e) The interests in 972,070,219 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. The interests in the other 213,038,264 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. The interests in the other 106,666,664 unissued 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 67.43% shareholding interests in CCIHL.

The interests in 229,548,733 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 229,548,733 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,062,226,414 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2 per cent. convertible notes due 2053 in a principal amount of HK\$106,222,641.4 issued by Cosmopolitan. The convertible notes are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.10 per ordinary share (subject to adjustments in accordance with the terms of the convertible notes).

- (f) 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 67.43% shareholding interests in CCIHL.
- (g) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 67.43% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (h) Mr. Allen Wan Tze Wai resigned as an Executive Director of the Company on 28th January, 2026.

Save as disclosed herein, as at 31st December, 2025, 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, 2025, 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, 2025
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%

REPORT OF THE DIRECTORS (Cont'd)

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 52.72% 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, 2025, 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, Ms. Lo Po Man and Mr. Jimmy Lo Chun To are directors of Grand Modern.
- (3) Mr. Lo Yuk Sui, Ms. Lo Po Man, Mr. Kelvin Leung So Po, 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, Ms. Lo Po Man, 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, 2025 is set out below:

Name of Director	Details of changes
<i>Executive Director:</i>	
Mr. Kelvin Leung So Po	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$121,770 commencing from March 2026. (Note (i))
<i>Independent Non-Executive Director:</i>	
Professor Japhet Sebastian Law	<ul style="list-style-type: none"> Ceased to be an independent member of the Supervisory Board of Beijing Capital International Airport Company Limited, a company listed on the Stock Exchange, with effect from 28th August, 2025.

Note:

- (i) 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, 2025 are disclosed in note 8 to the financial statements.

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

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

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

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

Details of the financial assistance provided to affiliated companies by the Group as at 31st December, 2025 are set out below:

Name of Affiliated Company		Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Banking Facilities		
				Principal Amount of Banking Facilities (HK\$'million)	Amount of Banking Facilities Drawdown (HK\$'million)	
8D International (BVI) Limited	(A)	13.7	–	Nil	Nil	
8D Matrix Limited	(B)	68.9	–	Nil	Nil	
P&R Holdings Limited	(C)	2,505.8	(D) 57.6	(E)(i) 1,616.5	(E)(ii) 1,616.5	
				Total:	(A) to (E)(i)	4,262.5
					(A) to (D) & (E)(ii)	4,262.5

REPORT OF THE DIRECTORS (Cont'd)

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.

P&R 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 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), interests in certain property development projects in the Chinese Mainland. Information relating to the investment of P&R group in such property development projects are disclosed in the preceding Management Discussion and Analysis. The advances to P&R 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. The advances to P&R are unsecured and have no fixed terms of repayment and except for an aggregate amount of HK\$95.9 million which bears interest at rate of 3.5% 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 and were given in respect of the respective bank loan facilities of, in aggregate, HK\$1,616.5 million made available to six wholly owned subsidiaries and an associate of P&R for financing their development projects in Hong Kong. Further information relating to the Group's share of the maximum capital commitment to P&R, 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 is set out in note 17 to the consolidated financial statements.

Calculated on the basis shown above, as at 31st December, 2025, 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\$4,262.5 million (based on the total available amount of the banking facilities) and (b) HK\$4,262.5 million (based on the total amount of banking facilities drawdown) represented (a) 18.6% and (b) 18.6% of the consolidated total assets of the Group of HK\$22,872.5 million, calculated by reference to its latest audited consolidated financial statements for the year ended 31st December, 2025.

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, 2025, 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	4,275.3	2,134.6
Current assets	5,664.3	2,827.9
Current liabilities	(2,735.9)	(1,367.4)
Non-current liabilities	(7,784.0)	(3,754.2)
	<u>(580.3)</u>	<u>(159.1)</u>
Non-controlling interests	(144.6)	(72.2)
Net liabilities attributable to equity holders of the parent	<u>(724.9)</u>	<u>(231.3)</u>

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 (including sale of treasury shares) during the year. The Company did not hold any treasury shares as at 31st December, 2025.

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 28 and 29 to the financial statements.

REPORT OF THE DIRECTORS (Cont'd)

SHARE CAPITAL

The details of the share capital of the Company are set out in note 32 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of the Company's share premium account are set out in note 32 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\$4.1 million.

DISTRIBUTABLE RESERVES

As at 31st December, 2025, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$4,908.2 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.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set in note 45 to the financial statements.

AUDITOR

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

SUSTAINABILITY REPORT

The Sustainability Report of the Company for the year ended 31st December, 2025 will be published as a separate report from this Annual Report in compliance with relevant requirements under the Environmental, Social and Governance Reporting Guide in Appendix C2 in the Listing Rules on or before 30th April, 2026.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong

30th March, 2026

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, 2025.

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 C1 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, 2025, except that:

- 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.

(II) BOARD OF DIRECTORS

The Board currently comprises the following members:

Executive Directors:

Mr. Lo Yuk Sui (*Chairman and Chief Executive Officer*)
Ms. Lo Po Man (*Vice Chairman and Managing Director*)
Mr. Kelvin Leung So Po
Mr. Jimmy Lo Chun To
Mr. Kenneth Ng Kwai Kai

Non-Executive Directors:

Dr. Francis Choi Chee Ming, GBS, JP (*Vice Chairman*)
Ms. Belinda Yeung Bik Yiu, JP

Independent Non-Executive Directors:

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

Mr. Allen Wan Tze Wai, who was an Executive Director of the Company, resigned with effect from 28th January, 2026.

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, 2025, 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 2025, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	Attendance	
	Board Meetings	General Meeting
<i>Executive Directors</i>		
Mr. Lo Yuk Sui (<i>Chairman and Chief Executive Officer</i>)	21/21	1/1
Ms. Lo Po Man (<i>Vice Chairman and Managing Director</i>)	21/21	1/1
Mr. Kelvin Leung So Po	21/21	1/1
Mr. Jimmy Lo Chun To	21/21	1/1
Mr. Kenneth Ng Kwai Kai	21/21	1/1
Mr. Allen Wan Tze Wai [#]	21/21	1/1
<i>Non-Executive Directors</i>		
Dr. Francis Choi Chee Ming, GBS, JP (<i>Vice Chairman</i>)	21/21	1/1
Ms. Belinda Yeung Bik Yiu, JP	21/21	1/1
<i>Independent Non-Executive Directors</i>		
Ms. Alice Kan Lai Kuen	21/21	1/1
Professor Japhet Sebastian Law	21/21	0/1
Ms. Winnie Ng, JP	21/21	1/1
Mr. Wong Chi Keung	21/21	1/1

[#] (Resigned as an Executive Director with effect from 28th January, 2026)

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 2025, the Company arranged for Directors reading materials covering topics relating to enhancing the effectiveness of the board of directors of listed companies, with focus on the roles, functions and responsibilities of the board, committees and directors. The training received by the Directors during year 2025 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
Ms. Lo Po Man (<i>Vice Chairman and Managing Director</i>)	B
Mr. Kelvin Leung So Po	A, B
Mr. Jimmy Lo Chun To	B
Mr. Kenneth Ng Kwai Kai	A, B
<i>Non-Executive Directors</i>	
Dr. Francis Choi Chee Ming, GBS, JP (<i>Vice Chairman</i>)	B
Ms. Belinda Yeung Bik Yiu, JP	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 Auditor, 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 Auditor.

In year 2025, the Audit Committee met twice and the meetings were attended by the external Auditor 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 2025, 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, 2025 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 - 5,000,000	1
Within bands from HK\$5,000,001 - 9,500,000	1

Further details of the Executive Directors' remuneration for the year ended 31st December, 2025 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 2025, 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 2025 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 2024 and its circular to the shareholders accompanying the 2024 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 2025 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 C3 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, 2025.

(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 2025 Annual General Meeting until the conclusion of the forthcoming 2026 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, 2025 were HK\$6.0 million (2024 - HK\$6.9 million) and HK\$1.7 million (2024 - HK\$1.8 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, 2025	1.4
(2) Compliance and other services to the Group	0.3

(VIII) SHAREHOLDERS' RIGHT

Special general meetings may be convened upon receipt of written request submitted by any shareholder(s) of the Company holding not less than one-tenth of the share capital of the Company carrying the right of voting at general meetings of the Company. Such written requisition must state the purposes of the meeting, and be signed by the requisitioner(s) and deposited at the Head Office of the Company at 20th 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, 2025, the Company has not made any changes to its Bye-laws. A consolidated version of the Memorandum of Association and Amended and Restated 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 Amended and Restated 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, 2025

	Notes	2025 HK\$'million	2024 HK\$'million
REVENUE	5	2,758.5	1,825.8
Cost of sales		(1,947.2)	(1,138.0)
Gross profit		811.3	687.8
Other income and gains, net	5	86.7	287.8
Fair value losses on financial assets at fair value through profit or loss, net	6	(6.2)	(1,080.1)
Fair value losses on investment properties, net	14	(157.9)	(118.1)
Impairment loss of items of property, plant and equipment		–	(37.9)
Impairment loss on properties under development		–	(53.2)
Impairment loss on properties held for sale		(16.4)	(10.1)
Impairment loss on other receivables		–	(100.1)
Impairment loss on investments in associates		(0.2)	(0.8)
Property selling and marketing expenses		(54.5)	(7.7)
Administrative expenses		(269.9)	(274.0)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION		392.9	(706.4)
Depreciation		(592.1)	(603.3)
OPERATING LOSS		(199.2)	(1,309.7)
Finance costs	7	(768.9)	(993.9)
Share of profits and losses of:			
Joint ventures		(280.5)	(419.4)
An associate		(0.3)	1.5
LOSS BEFORE TAX	6	(1,248.9)	(2,721.5)
Income tax	10	(58.8)	(11.5)
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		(1,307.7)	(2,733.0)
Attributable to:			
Equity holders of the parent		(1,200.9)	(2,597.8)
Non-controlling interests		(106.8)	(135.2)
		(1,307.7)	(2,733.0)
LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		HK\$(1.46)	HK\$(3.02)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2025

	2025 HK\$'million	2024 HK\$'million
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(1,307.7)	(2,733.0)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Changes in fair value of cash flow hedges	(51.4)	12.6
Transfer from hedging reserve to profit or loss	14.6	(10.9)
	(36.8)	1.7
Exchange differences on translating foreign operations	34.4	(28.1)
Share of other comprehensive income/(loss) of:		
A joint venture	28.0	(16.8)
An associate	–	(0.1)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	25.6	(43.3)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of:		
A joint venture	(0.3)	(5.2)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	25.3	(48.5)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(1,282.4)	(2,781.5)
Attributable to:		
Equity holders of the parent	(1,166.4)	(2,646.7)
Non-controlling interests	(116.0)	(134.8)
	(1,282.4)	(2,781.5)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2025

	Notes	2025 HK\$'million	2024 HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,681.3	5,139.8
Investment properties	14	851.9	1,100.1
Right-of-use assets	15	12,140.1	12,257.9
Properties under development	16	404.6	399.9
Investments in joint ventures	17	2,233.1	2,259.3
Investments in associates	18	8.9	9.3
Financial assets at fair value through profit or loss	19	283.8	416.3
Other loan	20	857.0	857.0
Debtors and deposits	21	4.4	6.8
Derivative financial instruments	30	–	9.9
Deferred tax assets	31	47.7	47.7
Intangible assets	22	3.6	3.6
Total non-current assets		21,516.4	22,507.6
CURRENT ASSETS			
Properties held for sale	23	238.5	994.9
Inventories	24	21.3	21.2
Debtors, deposits and prepayments	21	241.2	274.8
Financial assets at fair value through profit or loss	19	45.4	77.2
Derivative financial instruments	30	–	0.3
Tax recoverable		0.7	3.9
Restricted cash	25	309.4	351.4
Pledged time deposits and bank balances		295.2	291.7
Time deposits		–	31.5
Cash and bank balances		204.4	419.2
Total current assets		1,356.1	2,466.1
CURRENT LIABILITIES			
Creditors, deposits received and accruals	26	(476.4)	(379.5)
Contract liabilities	27	(72.6)	(63.0)
Lease liabilities	15	(11.2)	(7.8)
Interest bearing bank borrowings	28	(5,270.2)	(4,912.4)
Other borrowing	29	(25.0)	(73.0)
Derivative financial instruments	30	(1.0)	–
Tax payable		(51.5)	(33.0)
Total current liabilities		(5,907.9)	(5,468.7)
NET CURRENT LIABILITIES		(4,551.8)	(3,002.6)
TOTAL ASSETS LESS CURRENT LIABILITIES		16,964.6	19,505.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 31st December, 2025

	Notes	2025 HK\$'million	2024 HK\$'million
NON-CURRENT LIABILITIES			
Creditors and deposits received	26	(47.5)	(53.6)
Lease liabilities	15	(153.1)	(2.8)
Interest bearing bank borrowings	28	(9,125.6)	(10,609.0)
Derivative financial instruments	30	(42.0)	(0.7)
Deferred tax liabilities	31	(633.1)	(624.0)
Total non-current liabilities		(10,001.3)	(11,290.1)
Net assets		6,963.3	8,214.9
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	32	89.9	89.9
Reserves	33	5,206.7	6,342.9
		5,296.6	6,432.8
Perpetual securities	34	1,732.9	1,732.9
Non-controlling interests		(66.2)	49.2
Total equity		6,963.3	8,214.9

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2025

	Attributable to equity holders of the parent													
	Issued capital HK\$'m	Share premium account HK\$'m	Capital redemption reserve HK\$'m	Equity component of convertible notes of a joint venture HK\$'m	Hedging 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, 2024	89.9	404.7	17.7	434.5	-	745.9	10.3	(396.3)	(61.2)	7,948.1	9,193.6	1,732.9	184.0	11,110.5
Loss for the year	-	-	-	-	-	-	-	-	-	(2,597.8)	(2,597.8)	-	(135.2)	(2,733.0)
Other comprehensive income/(loss) for the year:														
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	(28.1)	-	(28.1)	-	-	(28.1)
Cash flow hedges	-	-	-	-	1.3	-	-	-	-	-	1.3	-	0.4	1.7
Share of other comprehensive income/(loss) of:														
A joint venture	-	-	-	-	-	(5.3)	-	308.7	(16.8)	(308.6)	(22.0)	-	-	(22.0)
An associate	-	-	-	-	-	-	-	-	(0.1)	-	(0.1)	-	-	(0.1)
Total comprehensive income/(loss) for the year	-	-	-	-	1.3	(5.3)	-	308.7	(45.0)	(2,906.4)	(2,646.7)	-	(134.8)	(2,781.5)
Distribution to holders of perpetual securities	-	-	-	-	-	-	-	-	-	(114.1)	(114.1)	-	-	(114.1)
At 31st December, 2024	89.9	404.7	17.7	434.5	1.3	740.6	10.3	(87.6)	(106.2)	4,927.6	6,432.8	1,732.9	49.2	8,214.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

For the year ended 31st December, 2025

	Attributable to equity holders of the parent													
	Issued capital HK\$m	Share premium account HK\$m	Capital redemption reserve HK\$m	Equity component of convertible notes of a joint venture HK\$m	Hedging 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, 2025	89.9	404.7	17.7	434.5	1.3	740.6	10.3	(87.6)	(106.2)	4,927.6	6,432.8	1,732.9	49.2	8,214.9
Loss for the year	-	-	-	-	-	-	-	-	-	(1,200.9)	(1,200.9)	-	(106.8)	(1,307.7)
Other comprehensive income/(loss) for the year:														
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	34.4	-	34.4	-	-	34.4
Cash flow hedges	-	-	-	-	(27.6)	-	-	-	-	-	(27.6)	-	(9.2)	(36.8)
Share of other comprehensive income/(loss) of:														
A joint venture	-	-	-	-	-	-	-	(0.3)	28.0	-	27.7	-	-	27.7
Total comprehensive income/(loss) for the year	-	-	-	-	(27.6)	-	-	(0.3)	62.4	(1,200.9)	(1,166.4)	-	(116.0)	(1,282.4)
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	0.6	0.6
Share of a joint venture	-	-	-	-	-	30.2	-	-	-	-	30.2	-	-	30.2
At 31st December, 2025	89.9	404.7	17.7	434.5	(26.3)	770.8	10.3	(87.9)	(43.8)	3,726.7	5,296.6	1,732.9	(66.2)	6,963.3

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2025

	Notes	2025 HK\$'million	2024 HK\$'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,248.9)	(2,721.5)
Adjustments for:			
Finance costs	7	768.9	993.9
Share of profits and losses of joint ventures and an associate		280.8	417.9
Interest income	5	(67.4)	(138.1)
Depreciation		592.1	603.3
Dividend income from listed investments	5	(0.3)	(1.8)
Dividend income from unlisted investments	5	(5.4)	(9.8)
Fair value losses on financial assets at fair value through profit or loss, net	6	6.2	1,080.1
Fair value losses on investment properties		157.9	118.1
Loss on disposal of unlisted investments included in financial assets at fair value through profit or loss	5	5.5	3.5
Impairment loss of items of property, plant and equipment		–	37.9
Gain on disposal of items of property, plant and equipment	5	–	(83.7)
Impairment loss on properties under development		–	53.2
Impairment loss on properties held for sale		16.4	10.1
Impairment/(Reversal of impairment) of trade debtors, net	6	0.3	(2.3)
Write-off of items of property, plant and equipment		–	2.7
Impairment loss on investments in associates		0.2	0.8
Impairment loss on other receivables		–	100.1
Gain on disposal of a subsidiary	5	(4.5)	–
		501.8	464.4
Additions to properties under development		(4.7)	(3.4)
Decrease/(Increase) in inventories		(0.1)	2.5
Decrease in properties held for sale		749.9	–
Decrease in debtors, deposits and prepayments		34.6	17.3
Release of restricted cash		1.1	–
Decrease in financial assets at fair value through profit or loss		10.7	19.1
Decrease in derivative financial instruments		(1.1)	–
Increase/(Decrease) in creditors, deposits received and accruals		87.6	(56.5)
Increase in contract liabilities		9.6	2.9
Cash generated from operations		1,389.4	446.3
Interest received		0.5	1.6
Dividends received from listed investments		0.3	1.8
Hong Kong profits tax paid		(30.5)	(20.5)
Overseas profits tax paid		(0.2)	(0.6)
Net cash flows from operating activities		1,359.5	428.6

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the year ended 31st December, 2025

	Notes	2025 HK\$'million	2024 HK\$'million
Net cash flows from operating activities		1,359.5	428.6
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investment properties		(18.3)	(6.8)
Purchases of items of property, plant and equipment		(43.5)	(78.6)
Proceeds from disposal of items of property, plant and equipment		–	397.9
Proceeds from disposal of investment properties		141.3	105.0
Proceeds from disposal of financial assets at fair value through profit or loss		80.4	0.5
Purchases of financial assets at fair value through profit or loss		(0.7)	(1.2)
Distribution from financial assets at fair value through profit or loss		78.5	17.1
Acquisition of a subsidiary		–	(2.3)
Proceeds from disposal of a subsidiary	36	204.0	–
Advances to joint ventures		(902.4)	(1,261.5)
Repayment from a joint venture		717.3	1,389.7
Interest received		58.7	123.8
Dividends received from unlisted investments		5.4	9.8
Increase in other loan		–	(9.8)
Placement of in pledged time deposits and bank balances		(3.5)	(125.0)
Decrease in restricted cash		15.9	15.6
Net cash flows from investing activities		333.1	574.2
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of new bank loans		675.8	1,327.7
Repayment of bank loans		(1,802.4)	(2,007.6)
Increase in other borrowing		25.0	73.0
Decrease in other borrowing		(73.0)	–
Interest paid		(722.6)	(957.0)
Payment of loan and other costs		(50.9)	(11.6)
Principal portion of lease payments		(11.6)	(12.3)
Contribution from non-controlling interests		0.6	–
Distribution relating to perpetual securities		–	(114.1)
Release of restricted cash		29.0	164.1
Placement of restricted cash		(4.0)	–
Dividend paid		–	(0.5)
Net cash flows used in financing activities		(1,934.1)	(1,538.3)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(241.5)	(535.5)
Cash and cash equivalents at beginning of year		450.7	987.1
Effect of foreign exchange rate changes, net		(4.8)	(0.9)
CASH AND CASH EQUIVALENTS AT END OF YEAR		204.4	450.7
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalent as stated in the consolidated statement of financial position and cash and cash equivalents as stated in the consolidated statement of cash flows	37(a)	204.4	450.7

NOTES TO FINANCIAL STATEMENTS

31st December, 2025

1. CORPORATE AND GROUP INFORMATION

Regal Hotels International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. With effect from 3rd November, 2025, the head office and principal place of business of the Company has been changed from 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong to 20th 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 (including 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
			2025	2024	
Aesthetics Construction Engineering Limited	Hong Kong	HK\$1	100	100	Construction engineering
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

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
			2025	2024	
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	Financing
Complete Success Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
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	Financial assets 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	100	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	Financing
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
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
			2025	2024	
Greatlead Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Harvest Charm Investment Limited	Hong Kong	HK\$2	100	100	Financial assets investment and financing
Hill Treasure Limited	British Virgin Islands	US\$1	100	100	Aircraft ownership and leasing
Honormate Nominees Limited	Hong Kong	HK\$2	100	100	Financial assets 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
MetaGreen Technology Limited	Hong Kong	HK\$2	100	100	Investment holding
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
			2025	2024	
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 Estate Agents Limited	Hong Kong	HK\$2	100	100	Provision of estate agency service
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 operation
Regal Hotels (Holdings) Limited	Hong Kong	HK\$1,151,598,638	100	100	Investment holding and provision of 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/ Chinese Mainland	US\$1	100	100	Investment holding and provision of management services

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration/ and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
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
Success Path Investments Limited	Hong Kong	HK\$1	100	100	Property investment
Talent Collection Limited	British Virgin Islands	US\$1	100	100	Investment holding
Tenshine Limited	Hong Kong	HK\$2	100	100	Financial assets investment and financing
Time Crest Investments Limited	British Virgin Islands	US\$1	100	100	Financial assets 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
Unicorn Star Limited	British Virgin Islands	US\$1	100	100	Financial assets investment

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
			2025	2024	
Unique Sky Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding
Vivid Merit Limited	British Virgin Islands	US\$1	100	100	Investment holding
Waterman House Investments Limited ⁽³⁾	England and Wales	GBP300	–	100	Property investment
Wealth Pavilion Investments Limited	British Virgin Islands	US\$1	100	100	Financing
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	Financial assets 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")/ Chinese Mainland	RMB100,000	100	100	Provision of room reservation services
富豪酒店投資管理(上海)有限公司 ⁽¹⁾	PRC/ Chinese Mainland	US\$140,000	100	100	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
			2025	2024	
Regal Real Estate Investment Trust	Hong Kong	3,257,431,189 units	74.89	74.89	Property investment
Bauhinia Hotels Limited ⁽²⁾	Hong Kong	HK\$2	74.89	74.89	Hotel ownership
Cityability Limited ⁽²⁾	Hong Kong	HK\$10,000	74.89	74.89	Hotel ownership
Gala Hotels Limited ⁽²⁾	Hong Kong	HK\$2	74.89	74.89	Hotel ownership
Land Crown International Limited ⁽²⁾	Hong Kong	HK\$1	74.89	74.89	Hotel ownership
Regal Asset Holdings Limited ⁽²⁾	Bermuda/ Hong Kong	US\$12,000	74.89	74.89	Investment holding
Regal Riverside Hotel Limited ⁽²⁾	Hong Kong	HK\$2	74.89	74.89	Hotel ownership
Rich Day Investments Limited ⁽²⁾	Hong Kong	HK\$1	74.89	74.89	Financing
Ricobem Limited ⁽²⁾	Hong Kong	HK\$100,000	74.89	74.89	Hotel ownership
Sonnix Limited ⁽²⁾	Hong Kong	HK\$2	74.89	74.89	Property ownership and hotel operation
R-REIT International Finance Limited ⁽²⁾	British Virgin Islands	US\$1	74.89	74.89	Financing
Tristan Limited ⁽²⁾	Hong Kong	HK\$20	74.89	74.89	Hotel ownership
Wise Decade Investments Limited ⁽²⁾	Hong Kong	HK\$1	74.89	74.89	Hotel ownership

Notes:

- (1) These subsidiaries are registered as wholly foreign owned enterprises under PRC law.
- (2) These companies are subsidiaries of Regal REIT.
- (3) This subsidiary was disposed of during the year.

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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\$1,200.9 million (2024 - HK\$2,597.8 million) for the year ended 31st December, 2025 and net current liabilities of HK\$4,551.8 million (2024 - HK\$3,002.6 million) and net assets of HK\$6,963.3 million (2024 - HK\$8,214.9 million) as at 31st December, 2025. In addition, the Group had total non-pledged time deposits, cash and bank balances of HK\$204.4 million (2024 - HK\$450.7 million) as at 31st December, 2025 and a positive net cash flows from operating activities of HK\$1,359.5 million (2024 - HK\$428.6 million) for the year ended 31st December, 2025.

The consolidated financial statements were prepared based on the assumption that the Group is operating as a going concern, as 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, 2025, 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 contracted sales of property assets of the Group, in Hong Kong and overseas, up to the current date;
- (iii) the plan for disposal of certain non-core assets, including certain overseas properties of the Group;
- (iv) the refinancing plan for certain maturing interest bearing bank borrowings that are secured by certain properties; and
- (v) the available unutilised banking and other financial facilities of the Group.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2025. 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).

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange equalisation reserve; and recognises the fair value of any investment retained and 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 amendments to HKAS 21 *Lack of Exchangeability* for the first time for the current year's consolidated financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries, joint venture and associates for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

In addition, the HKICPA has issued amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples in the corresponding HKFRS Accounting Standards. These examples reflect existing requirements in the corresponding HKFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ¹

¹ Effective for annual periods beginning on or after 1st January, 2026

² Effective for annual/reporting periods beginning on or after 1st January, 2027

³ No mandatory effective date yet determined but available for adoption

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

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1st January, 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards or IFRS Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19 and its amendments. Some of the Company's subsidiaries are considering the application of HKFRS 19 and its amendments in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 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 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 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 MATERIAL 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 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.

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 has 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.

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 a non-financial asset required (other than inventories, investment properties, properties under development, properties held for sale and deferred tax 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 is stated at cost less any impairment losses and is not depreciated. It 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 right-of-use assets) held to earn rental income and/or for capital appreciation. 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.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with HKAS 16 *Property, plant and equipment*. For a transfer from properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

(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 mainly 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.

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

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 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 the equity investments are also recognised in the statement of profit or loss when the right of payment has been established.

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 occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

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 that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings 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 (trade and other payables, and borrowings)

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

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

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 and hedge accounting

Initial recognition and subsequent measurement

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

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

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The hedging reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in net assets is removed from the separate component of net assets and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the consolidated statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the consolidated statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

(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 less costs to be incurred in selling the properties.

(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 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 purchasers obtain the physical possession or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

Same contracts for the sale of properties involve a difference in timing between the timing of payments and the transfer of properties. The difference in timing give rises to a significant financing complement.

(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.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

- Revenue from provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration 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. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

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.

(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, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve 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 does not give rise to equal taxable and deductible temporary differences; 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 does not give rise to equal taxable and deductible temporary differences; 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 term 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 the Chinese Mainland 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

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(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. 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) Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

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 leases on its investment property 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 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.

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, 2025 was HK\$155.2 million (2024 - HK\$146.5 million). The amount of unrecognised deferred tax assets in respect of tax losses at 31st December, 2025 was HK\$1,133.3 million (2024 - HK\$1,063.5 million). Further details are contained in note 31 to the financial statements.

(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, 2025 was HK\$851.9 million (2024 - HK\$1,100.1 million). Further details, including the key assumptions used for fair value measurements are given in note 14 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).

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 income; and
- (f) the others segment mainly comprises sale of food products, operation and management of restaurants, the provision of housekeeping and related services and provision of construction engineering services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's 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 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, 2025 and 2024:

	Hotel operation and management and hotel ownership													
	Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
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	1,841.4	1,717.6	-	-	804.5	17.9	(0.4)	6.5	-	113.0	65.8	-	2,758.5	1,825.8
Intersegment sales	0.2	0.2	93.1	93.1	3.9	3.4	-	-	-	195.0	167.4	(292.2)	-	-
Total segment revenue	1,841.6	1,717.8	93.1	93.1	808.4	21.3	(0.4)	6.5	-	308.0	233.2	(292.2)	2,758.5	1,825.8
Segment results before depreciation	599.6	518.0	(16.6)	(14.9)	(123.5)	(118.6)	(11.7)	(1,166.7)	-	2.9	(6.7)	-	450.7	(641.0)
Depreciation	(584.0)	(593.8)	(0.2)	(0.1)	(4.0)	(4.0)	-	-	-	(3.9)	(2.6)	-	(592.1)	(603.3)
Segment operating results	15.6	(75.8)	(16.8)	(15.0)	(127.5)	(122.6)	(11.7)	(1,166.7)	-	(1.0)	(9.3)	-	(141.4)	(1,244.3)
Unallocated interest income and unallocated non-operating and corporate gains													14.3	29.4
Unallocated non-operating and corporate expenses, net													(73.3)	(95.3)
Finance costs (other than interest on lease liabilities)													(767.7)	(993.4)
Share of profits and losses of:														
Joint ventures	-	-	-	-	(280.5)	(419.4)	-	-	-	-	-	-	(280.5)	(419.4)
An associate	-	-	-	-	(0.3)	1.5	-	-	-	-	-	-	(0.3)	1.5
Loss before tax													(1,248.9)	(2,721.5)
Income tax													(58.8)	(11.5)
Loss for the year before allocation between equity holders of the parent and non-controlling interests													(1,307.7)	(2,733.0)
Attributable to:														
Equity holders of the parent													(1,200.9)	(2,597.8)
Non-controlling interests													(106.8)	(135.2)
													(1,307.7)	(2,733.0)

NOTES TO FINANCIAL STATEMENTS (Cont'd)

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	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	17,287.7	17,612.2	39.5	33.0	2,107.4	3,400.5	330.1	500.6	-	-	46.0	42.1	(38.7)	(31.9)	19,772.0	21,556.5
Investments in joint ventures	-	-	-	-	2,233.1	2,259.3	-	-	-	-	-	-	-	-	2,233.1	2,259.3
Investments in associates	-	-	-	-	4.9	5.2	-	-	-	-	4.0	4.1	-	-	8.9	9.3
Cash and unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	858.5	1,148.6
Total assets	(617.6)	(432.2)	(1.0)	(1.2)	(115.0)	(62.3)	(12.0)	(1.0)	-	(2.1)	(19.4)	(23.5)	38.7	31.9	22,872.5	24,973.7
Segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(726.3)	(490.4)
Interest bearing bank borrowings and unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,182.9)	(16,268.4)
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,909.2)	(16,758.8)
Other segment information:																
Interest income	-	-	-	-	(55.1)	(109.0)	(0.7)	(2.1)	-	-	-	-	-	-	-	-
Impairment loss on properties under development	-	-	-	-	-	53.2	-	-	-	-	-	-	-	-	-	-
Impairment loss on properties held for sale	-	-	-	-	16.4	10.1	-	-	-	-	-	-	-	-	-	-
Impairment/(Reversal of impairment) of trade debtors, net	0.3	(2.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value losses on financial assets at fair value through profit or loss, net	-	-	-	-	-	-	6.2	1,080.1	-	-	-	-	-	-	-	-
Fair value losses/(gains) on investment properties	8.0	(6.4)	-	-	149.8	124.5	-	-	-	-	-	-	-	-	-	-
Impairment loss on items of property, plant and equipment	-	-	-	-	-	37.3	-	-	-	-	-	-	-	-	0.6	-
Impairment loss on investment in associates	-	-	-	-	-	-	-	-	-	-	0.2	0.8	-	-	-	-
Impairment loss on other receivables	-	-	-	-	-	-	99.0	-	-	-	-	1.1	-	-	-	-
Gain on disposal of items of property, plant and equipment	-	-	-	-	-	-	-	(83.7)	-	-	-	-	-	-	-	-
Capital expenditure	43.7	74.9	0.1	0.6	18.3	3.1	-	-	-	-	0.2	6.9	-	-	-	-

Geographical information

(a) Revenue from external customers

	2025 HK\$'million	2024 HK\$'million
Hong Kong	2,739.6	1,778.0
Chinese Mainland	3.0	15.9
Other	15.9	31.9
Total Revenue	<u>2,758.5</u>	<u>1,825.8</u>

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

	2025 HK\$'million	2024 HK\$'million
Hong Kong	19,051.2	19,703.8
Chinese Mainland	1,111.6	1,142.2
Other	160.7	323.9
Total non-current assets	<u>20,323.5</u>	<u>21,169.9</u>

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.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2025 HK\$'million	2024 HK\$'million
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Hotel operations and management services	1,781.2	1,656.9
Proceeds from sale of properties	781.9	–
Other operations	118.2	70.5
	<u>2,681.3</u>	<u>1,727.4</u>
<i>Revenue from other sources</i>		
Rental income:		
Hotel properties	41.9	40.2
Investment properties	34.0	32.1
Aircraft	–	18.0
Others	1.7	1.6
Gain/(loss) from sale of financial assets at fair value through profit or loss, net	(0.8)	3.0
Loss on settlement of derivative financial instruments, net	(0.2)	–
Interest income from financial assets at fair value through profit or loss	0.3	1.7
Dividend income from listed investments	0.3	1.8
	<u>0.3</u>	<u>1.8</u>
Total	<u><u>2,758.5</u></u>	<u><u>1,825.8</u></u>

Revenue from contracts with customers

(i) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the year ended 31st December, 2025				
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	1,774.9	–	–	1,774.9
Management services	6.3	–	–	6.3
Other operations	–	787.1	113.0	900.1
Total	<u>1,781.2</u>	<u>787.1</u>	<u>113.0</u>	<u>2,681.3</u>
Geographical markets				
Hong Kong	1,778.2	787.1	113.0	2,678.3
Chinese Mainland	3.0	–	–	3.0
Total	<u>1,781.2</u>	<u>787.1</u>	<u>113.0</u>	<u>2,681.3</u>
Timing of revenue recognition				
At a point in time	329.0	781.9	–	1,110.9
Over time	1,452.2	5.2	113.0	1,570.4
Total	<u>1,781.2</u>	<u>787.1</u>	<u>113.0</u>	<u>2,681.3</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2024

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	1,650.0	–	–	1,650.0
Management services	6.9	–	–	6.9
Other operations	–	4.7	65.8	70.5
Total	<u>1,656.9</u>	<u>4.7</u>	<u>65.8</u>	<u>1,727.4</u>
Geographical markets				
Hong Kong	1,653.0	4.7	65.8	1,723.5
Chinese Mainland	3.9	–	–	3.9
Total	<u>1,656.9</u>	<u>4.7</u>	<u>65.8</u>	<u>1,727.4</u>
Timing of revenue recognition				
At a point in time	315.4	–	0.1	315.5
Over time	1,341.5	4.7	65.7	1,411.9
Total	<u>1,656.9</u>	<u>4.7</u>	<u>65.8</u>	<u>1,727.4</u>

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, 2025				
Segments	Hotel operation and management and hotel ownership HK\$'million	Property development and investment HK\$'million	Others HK\$'million	Total HK\$'million
Segment revenue	1,841.6	808.4	308.0	2,958.0
Other revenue	(60.2)	(17.4)	–	(77.6)
Intersegment adjustments and eliminations	(0.2)	(3.9)	(195.0)	(199.1)
Total revenue from contracts with customers	<u>1,781.2</u>	<u>787.1</u>	<u>113.0</u>	<u>2,681.3</u>

For the year ended 31st December, 2024				
Segments	Hotel operation and management and hotel ownership HK\$'million	Property development and investment HK\$'million	Others HK\$'million	Total HK\$'million
Segment revenue	1,717.8	21.3	233.2	1,972.3
Other revenue	(60.7)	(13.2)	–	(73.9)
Intersegment adjustments and eliminations	(0.2)	(3.4)	(167.4)	(171.0)
Total revenue from contracts with customers	<u>1,656.9</u>	<u>4.7</u>	<u>65.8</u>	<u>1,727.4</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

The revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period amounted to HK\$63.0 million (2024 - HK\$54.9 million).

(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 when the physical possession or the legal title of the completed property is obtained by the purchaser. Customer generally paid deposit during pre-sale. The transaction prices were adjusted to reflect the effects of the fair 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.

Revenue from provision of construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

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

	2025 HK\$'million	2024 HK\$'million
Within one year	<u>72.8</u>	<u>63.0</u>

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

	2025 HK\$'million	2024 HK\$'million
<u>Other income and gains, net</u>		
Bank interest income	7.3	17.4
Other interest income	59.8	119.0
Loss on disposal of unlisted investments included in financial assets at fair value through profit or loss	(5.5)	(3.5)
Dividend income from unlisted investments	5.4	9.8
Release of aircraft maintenance reserve	–	50.3
Gain on disposal of items of property, plant and equipment	–	83.7
Gain on disposal of a subsidiary	4.5	–
Others	15.2	11.1
Total other income and gains	<u>86.7</u>	<u>287.8</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

6. LOSS BEFORE TAX

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

	2025 HK\$'million	2024 HK\$'million
Cost of inventories sold and services provided	1,947.2	1,138.0
Depreciation of property, plant and equipment	312.1	321.7
Depreciation of right-of-use assets	280.0	281.6
Foreign exchange differences, net	(4.6)	8.0
Impairment/(Reversal of impairment) of trade debtors, net	0.3	(2.3)
Employee benefit expense [#] (exclusive of directors' remuneration disclosed in note 8):		
Salaries, wages and allowances	617.5	623.1
Staff retirement scheme contributions	23.6	25.1
Less: Forfeited contributions	(2.3)	(2.0)
Net staff retirement scheme contributions [^]	21.3	23.1
	638.8	646.2
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
– mandatorily classified as such, including those held for trading	(10.1)	1,089.9
– derivative instruments - transactions not qualifying as hedges	16.3	(9.8)
	6.2	1,080.1
Lease payment not included in the measurement of lease liabilities (note 15(a)(iii))	1.0	0.8
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	6.7	10.4
Auditor's remuneration	7.5	8.2

[#] Inclusive of an amount of HK\$555.3 million (2024 - HK\$561.1 million) classified under cost of inventories sold and services provided.

[^] As at 31st December, 2025, the Group had no forfeited contributions available to reduce its contributions to the staff retirement scheme in future years (2024 - Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 HK\$'million	2024 HK\$'million
Interest on bank loans	702.3	959.1
Interest on other borrowing	4.1	0.7
Interest on lease liabilities	1.2	0.5
Amortisation of debt establishment costs	<u>42.6</u>	<u>41.3</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	750.2	1,001.6
Fair value changes on derivative financial instruments – cash flow hedges (transfer from hedging reserve)	14.6	(10.9)
Other loan costs	<u>4.1</u>	<u>3.3</u>
Subtotal	768.9	994.0
Less: Finance costs capitalised	<u>–</u>	<u>(0.1)</u>
Total	<u>768.9</u>	<u>993.9</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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:

	2025 HK\$'million	2024 HK\$'million
Fees	3.6	3.6
Other emoluments:		
Salaries, allowances and benefits in kind	19.6	22.0
Staff retirement scheme contributions	1.4	1.5
Total	<u>24.6</u>	<u>27.1</u>

(a) Non-executive directors

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

	2025 HK\$'million	2024 HK\$'million
Non-executive directors:		
Dr. Francis Choi Chee Ming, GBS, JP	0.25	0.25
Ms. Belinda Yeung Bik Yiu, JP	0.15	0.07
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
Total	<u>1.75</u>	<u>1.67</u>

For the year ended 31st December, 2025, Directors' fees entitled by the non-executive directors 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\$1.75 million (2024 - HK\$1.67 million, which also included fees for serving as members of the Board Committees).

There were no other emoluments payable to the non-executive directors and independent non-executive directors during the year (2024 - Nil).

(b) Executive directors

	Fees HK\$'million (Notes)	Salaries, allowances and benefits in kind HK\$'million	Staff retirement scheme contributions HK\$'million	Total remuneration HK\$'million
2025				
Mr. Lo Yuk Sui	0.45	8.21	0.57	9.23
Ms. Lo Po Man	0.30	4.36	0.20	4.86
Mr. Kelvin Leung So Po	0.15	1.30	0.13	1.58
Mr. Jimmy Lo Chun To	0.30	2.41	0.13	2.84
Mr. Kenneth Ng Kwai Kai	0.45	1.99	0.20	2.64
Mr. Allen Wan Tze Wai [#]	0.15	1.31	0.13	1.59
Total	<u>1.80</u>	<u>19.58</u>	<u>1.36</u>	<u>22.74</u>
2024				
Mr. Lo Yuk Sui	0.45	8.09	0.57	9.11
Ms. Lo Po Man	0.30	4.36	0.20	4.86
Ms. Belinda Yeung Bik Yiu, JP [*]	0.08	2.21	0.17	2.46
Mr. Kelvin Leung So Po	0.15	1.30	0.13	1.58
Mr. Jimmy Lo Chun To	0.30	2.41	0.13	2.84
Mr. Kenneth Ng Kwai Kai	0.45	2.32	0.20	2.97
Mr. Allen Wan Tze Wai	0.15	1.31	0.13	1.59
Total	<u>1.88</u>	<u>22.0</u>	<u>1.53</u>	<u>25.41</u>

* Ms. Belinda Yeung Bik Yiu, formerly an executive director of the Company, has been re-designated as a non-executive director of the Company with effect from 16th July, 2024.

Mr. Allen Wan Tze Wai resigned as an executive director of the Company with effect from 28th January, 2026.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Notes:

For the years ended 31st December, 2025 and 2024, 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) and a fee of HK\$0.05 million per annum for serving as a member of the nomination committee of RPML.
- Ms. Lo Po Man 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, a fee of HK\$0.1 million per annum for serving as a member of the audit committee of RPML and a fee of HK\$0.05 million per annum for serving as a member of the nomination committee of RPML.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2024 - Nil).

9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals during the year included four (2024 - five) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. Details of the remuneration for the year of the remaining one (2024 - Nil) highest paid individual, who was neither Directors nor chief executive of the Company, are as follows:

Salaries, allowances and benefits in kind
Staff retirement scheme contributions

2025 HK\$'million
1.9
0.2
<u>2.1</u>

The emoluments of the remaining one (2024 - Nil) individual fell within the following band:

HK\$2,000,001 to HK\$2,500,000

2025 Number of individuals
<u>1</u>

10. INCOME TAX

	2025 HK\$'million	2024 HK\$'million
Current - Hong Kong		
Charge for the year	21.5	17.9
Underprovision in prior years	30.7	14.1
Current - Overseas		
Charge for the year	0.2	–
Deferred (note 31)	6.4	(20.5)
Total tax charge for the year	<u>58.8</u>	<u>11.5</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2024 - 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 charge applicable to loss before tax at the statutory tax 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:

	2025 HK\$'million	2024 HK\$'million
Loss before tax	<u>(1,248.9)</u>	<u>(2,721.5)</u>
Tax at the Hong Kong statutory tax rate of 16.5% (2024 - 16.5%)	(206.1)	(449.0)
Adjustments in respect of current tax of previous years	30.7	14.1
Profits and losses attributable to joint ventures and associates	46.3	69.0
Higher tax rates of other jurisdictions	0.1	0.2
Income not subject to tax	(48.4)	(58.3)
Expenses not deductible for tax	158.9	332.9
Tax losses utilised from previous years	(7.8)	(4.3)
Tax losses not recognised during the year	62.3	105.0
Others	22.8	1.9
Tax charge at the Group's effective rate	<u>58.8</u>	<u>11.5</u>

The share of tax credit attributable to a joint venture amounting to HK\$27.8 million (2024 - tax charge of HK\$36.0 million) is included in "Share of profits and losses of joint ventures and an associate" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31st December, 2025, nor has any dividend been proposed since the end of the reporting period (2024 - 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\$1,200.9 million (2024 - HK\$2,597.8 million), adjusted for the accrued distribution related to perpetual securities of HK\$114.3 million (2024 - distribution related to perpetual securities of HK\$114.1 million), and on the weighted average of 898.8 million (2024 - 898.8 million) ordinary shares of the Company outstanding 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, 2025 and 2024 as the Company had no potentially dilutive ordinary shares outstanding and therefore no diluting events existed throughout the years.

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings HK\$'million	Leasehold properties HK\$'million	Property under construction HK\$'million	Leasehold improvements HK\$'million	Furniture, fixtures and equipment HK\$'million	Motor vehicles HK\$'million	Construction in progress HK\$'million	Total HK\$'million
31st December, 2025								
At 1st January, 2025:								
Cost	7,471.9	42.3	227.2	605.4	618.3	7.7	22.4	8,995.2
Accumulated depreciation and impairment	(2,759.7)	(11.5)	(37.3)	(539.4)	(502.3)	(5.2)	-	(3,855.4)
Net carrying amount	<u>4,712.2</u>	<u>30.8</u>	<u>189.9</u>	<u>66.0</u>	<u>116.0</u>	<u>2.5</u>	<u>22.4</u>	<u>5,139.8</u>
At 1st January, 2025, net of accumulated depreciation and impairment	4,712.2	30.8	189.9	66.0	116.0	2.5	22.4	5,139.8
Reclassification	-	-	-	7.1	2.5	-	(9.6)	-
Additions	-	-	-	3.4	21.8	0.8	17.5	43.5
Disposal of a subsidiary (note 36)	-	-	(204.0)	-	-	-	-	(204.0)
Depreciation provided during the year	(240.1)	(1.3)	-	(26.4)	(43.0)	(1.3)	-	(312.1)
Exchange realignment	-	-	14.1	-	-	-	-	14.1
At 31st December, 2025, net of accumulated depreciation and impairment	<u>4,472.1</u>	<u>29.5</u>	<u>-</u>	<u>50.1</u>	<u>97.3</u>	<u>2.0</u>	<u>30.3</u>	<u>4,681.3</u>
At 31st December, 2025:								
Cost	7,471.9	42.3	-	615.9	642.6	8.2	30.3	8,811.2
Accumulated depreciation and impairment	(2,999.8)	(12.8)	-	(565.8)	(545.3)	(6.2)	-	(4,129.9)
Net carrying amount	<u>4,472.1</u>	<u>29.5</u>	<u>-</u>	<u>50.1</u>	<u>97.3</u>	<u>2.0</u>	<u>30.3</u>	<u>4,681.3</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, 2024									
At 1st January, 2024:									
Cost	7,471.9	35.8	231.4	608.5	570.9	8.4	414.5	4.9	9,346.3
Accumulated depreciation and impairment	(2,517.5)	(9.7)	-	(508.7)	(464.2)	(5.9)	(96.9)	-	(3,602.9)
Net carrying amount	<u>4,954.4</u>	<u>26.1</u>	<u>231.4</u>	<u>99.8</u>	<u>106.7</u>	<u>2.5</u>	<u>317.6</u>	<u>4.9</u>	<u>5,743.4</u>
At 1st January, 2024, net of accumulated depreciation and impairment									
	4,954.4	26.1	231.4	99.8	106.7	2.5	317.6	4.9	5,743.4
Reclassification	-	-	-	-	2.6	-	-	(2.6)	-
Additions	-	6.5	-	0.2	48.6	1.4	-	20.1	76.8
Write off/Disposals	-	-	-	(0.5)	(0.9)	(0.4)	(312.9)	-	(314.7)
Impairment loss	-	(0.6)	(37.3)	-	-	-	-	-	(37.9)
Depreciation provided during the year	(242.2)	(1.2)	-	(33.5)	(41.0)	(1.0)	(2.8)	-	(321.7)
Exchange realignment	-	-	(4.2)	-	-	-	(1.9)	-	(6.1)
At 31st December, 2024, net of accumulated depreciation and impairment									
	<u>4,712.2</u>	<u>30.8</u>	<u>189.9</u>	<u>66.0</u>	<u>116.0</u>	<u>2.5</u>	<u>-</u>	<u>22.4</u>	<u>5,139.8</u>
At 31st December, 2024:									
Cost	7,471.9	42.3	227.2	605.4	618.3	7.7	-	22.4	8,995.2
Accumulated depreciation and impairment	(2,759.7)	(11.5)	(37.3)	(539.4)	(502.3)	(5.2)	-	-	(3,855.4)
Net carrying amount	<u>4,712.2</u>	<u>30.8</u>	<u>189.9</u>	<u>66.0</u>	<u>116.0</u>	<u>2.5</u>	<u>-</u>	<u>22.4</u>	<u>5,139.8</u>

At 31st December, 2025, the Group's property, plant and equipment and right-of-use assets with net carrying amounts of HK\$4,636.7 million (2024 - HK\$4,914.6 million) and HK\$12,124.2 million (2024 - HK\$12,250.2 million) (note 15), respectively, were pledged to secure banking facilities granted to the Group.

At 31st December, 2024, the equity interests in the relevant holding company of a property development project was also pledged to secure the other borrowing of the Group.

As at 31st December, 2025, the Group's hotel properties under hotel operation included in the hotel buildings and other categories of property, plant and equipment had net carrying amounts of HK\$4,472.1 million (2024 - HK\$4,712.2 million) and HK\$139.2 million (2024 - HK\$175.8 million), respectively. The leasehold land of hotel properties is recognised as right-of-use assets with net carrying amount of HK\$12,064.7 million (2024 - HK\$12,187.9 million), details of which are set out in note 15 to the financial statements.

14. INVESTMENT PROPERTIES

	2025 HK\$'million	2024 HK\$'million
Carrying amount at 1st January	1,100.1	1,336.5
Capital expenditure for the year	18.3	6.8
Lease modification	2.9	0.2
Disposal	(141.3)	(105.0)
Loss from fair value adjustments	(157.9)	(118.1)
Exchange realignment	29.8	(20.3)
	<u>851.9</u>	<u>1,100.1</u>
Carrying amount at 31st December	<u>851.9</u>	<u>1,100.1</u>

The Directors of the Company determined the Group's investment properties into different classes of asset based on the nature, characteristics and risks of each property. The Group's properties included in investment properties were revalued on 31st December, 2025 based on valuations performed by Savills Valuation and Professional Services Limited, Knight Frank Petty Limited, Colliers International (Hong Kong) Limited, Colliers International Spain and Cushman & Wakefield Limited, five independent professionally qualified valuers, at an aggregate valuation amount of HK\$849.0 million. Each year, the Group's management selects the external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management also has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuations are performed for interim and annual financial reporting. Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

At 31st December, 2025, the Group's investment properties with a carrying value of HK\$846.8 million (2024 - HK\$1,095.0 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.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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, 2025 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	
Residential properties	–	–	505.0	505.0
Commercial properties	–	–	184.0	184.0
Hotel properties	–	–	157.8	157.8
Car parking space	–	–	2.2	2.2
Right-of-use assets	–	–	2.9	2.9
Total	–	–	851.9	851.9

	Fair value measurement as at 31st December, 2024 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	
Residential properties	–	–	777.9	777.9
Commercial properties	–	–	186.0	186.0
Hotel properties	–	–	131.1	131.1
Car parking space	–	–	2.2	2.2
Right-of-use assets	–	–	2.9	2.9
Total	–	–	1,100.1	1,100.1

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2024 - 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	Car parking space HK\$'million	Right-of-use assets HK\$'million
Carrying amount at 1st January, 2024	1,004.2	197.0	128.1	2.2	5.0
Capital expenditure for the year	3.2	-	3.6	-	-
Lease modification	-	-	-	-	0.2
Disposal	(105.0)	-	-	-	-
Gain/(Loss) from fair value adjustments	(124.5)	(11.0)	19.5	-	(2.1)
Exchange realignment	-	-	(20.1)	-	(0.2)
Carrying amount at 31st December, 2024 and 1st January, 2025	777.9	186.0	131.1	2.2	2.9
Capital expenditure for the year	18.3	-	-	-	-
Lease modification	-	-	-	-	2.9
Disposal	(141.3)	-	-	-	-
Loss from fair value adjustments	(149.9)	(2.0)	(2.8)	-	(3.2)
Exchange realignment	-	-	29.5	-	0.3
Carrying amount at 31st December, 2025	505.0	184.0	157.8	2.2	2.9

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range	
			2025	2024
Residential properties	Sales comparison approach	Estimated market price per square foot	HK\$21,830 to HK\$24,712	HK\$22,950 to HK\$32,453
Commercial properties	Discounted cash flow method	Capitalisation rate	2.50% to 3.00%	2.50% to 3.00%
		Discount rate	5.50% to 6.00%	5.50% to 6.00%
		Estimated rental value per square metre per month	HK\$287 to HK\$936	HK\$441 to HK\$985
Hotel properties	Discounted cash flow method	Capitalisation rate	8.25%	8.75%
		Discount rate	7.40% to 10.40%	10.60% to 10.90%
		Estimated rental value per square metre per month	Euro 8.30 to Euro 9.61	Euro 8.80 to Euro 9.31
Car parking space	Sales comparison approach	Estimated market price per unit	HK\$2,200,000	HK\$2,200,000
Right-of-use assets	Discounted cash flow method	Discount rate	3.27%	2.89%
		Estimated rental value per month	Euro 26,366	Euro 25,748

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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, estimated rental value and estimated market price per unit in isolation would result in a significant increase/(decrease) in the fair value of the residential, commercial and hotel properties, right-of-use assets and car parking space, 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 and leased properties. 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. 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	Total HK\$'million
As at 1st January, 2024	12,521.8	13.1	12,534.9
Addition	–	4.2	4.2
Modification	–	0.4	0.4
Depreciation charge	(271.6)	(10.0)	(281.6)
As at 31st December, 2024 and 1st January, 2025	12,250.2	7.7	12,257.9
Addition	–	2.3	2.3
Modification	144.9	15.0	159.9
Depreciation charge	(270.9)	(9.1)	(280.0)
As at 31st December, 2025	<u>12,124.2</u>	<u>15.9</u>	<u>12,140.1</u>

At 31st December, 2025 and 2024, the Group's leasehold land was pledged to secure banking facilities granted to the Group.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

(ii) Lease liabilities

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

	2025 HK\$'million	2024 HK\$'million
Carrying amount at 1st January	10.6	18.2
Addition	2.3	4.2
Modification	162.8	0.6
Interest expenses	1.2	0.5
Payments	(12.8)	(12.8)
Exchange realignment	0.2	(0.1)
	<u>164.3</u>	<u>10.6</u>
Carrying amount at 31st December		
Analysed into:		
Due within one year	11.2	7.8
Due in the second year	6.4	2.8
Due in the third to fifth years, inclusive	<u>146.7</u>	<u>–</u>

The maturity analysis of lease liabilities is disclosed in note 43 to the financial statements.

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

	2025 HK\$'million	2024 HK\$'million
Interest on lease liabilities	1.2	0.5
Depreciation charge of right-of-use assets	280.0	281.6
Expense relating to short-term leases (included in cost of sales and administrative expenses)	1.0	0.8
Total amount recognised in profit or loss	<u>282.2</u>	<u>282.9</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\$77.6 million (2024 - HK\$91.9 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:

	2025 HK\$'million	2024 HK\$'million
Within one year	34.4	38.0
After one year but within two years	8.6	21.5
After two years but within three years	2.9	4.3
Total	<u>45.9</u>	<u>63.8</u>

16. PROPERTIES UNDER DEVELOPMENT

Properties under development are analysed as follows:

	2025 HK\$'million	2024 HK\$'million
Balance at 1st January	399.9	539.9
Additions	4.7	3.5
Impairment loss on properties under development	–	(53.2)
Transfer to properties held for sale	–	(85.1)
Exchange realignment	–	(5.2)
Balance at 31st December	<u>404.6</u>	<u>399.9</u>

At 31st December, 2025, the Group's properties under development with carrying amount of HK\$404.6 million (2024 - HK\$399.9 million) were pledged to secure banking facilities granted to the Group.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

17. INVESTMENTS IN JOINT VENTURES

	2025 HK\$'million	2024 HK\$'million
Share of net liabilities	(228.9)	(6.3)
Unrealised income and gain eliminated	(101.4)	(112.7)
Loans to a joint venture	2,505.8	2,320.7
Amount due from a joint venture	57.6	57.6
Total	<u>2,233.1</u>	<u>2,259.3</u>

The loans to and amount due from a joint venture are unsecured, interest-free and repayable on demand except for amounts of HK\$95.9 million (2024 - HK\$107.0 million) which are interest bearing at rate of 3.5% per annum (2024 - 3.5% 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, 2025 and 2024, 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
			2025	2024	
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")*	British Virgin Islands	Ordinary shares of US\$1 each	50	50	Investment holding

The above investments are indirectly held by the Company.

* P&R is owned by the Group and a wholly owned subsidiary of PHL, 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.

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

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

	2025 HK\$'million	2024 HK\$'million
Faith Crown		
Non-current assets	45.4	45.4
Current liabilities	<u>(40.6)</u>	<u>(40.6)</u>
Net assets	<u>4.8</u>	<u>4.8</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)

	2025 HK\$'million	2024 HK\$'million
P&R and its subsidiaries		
Non-current assets	4,269.2	4,533.4
Cash and cash equivalents	69.4	82.7
Other current assets	5,586.4	6,777.7
Current assets	5,655.8	6,860.4
Financial liabilities, excluding trade and other payables	(2,020.9)	(2,595.0)
Other current liabilities	(714.0)	(949.7)
Current liabilities	(2,734.9)	(3,544.7)
Non-current financial liabilities, excluding trade and other payables	(7,397.4)	(7,128.2)
Other non-current liabilities	(111.0)	(477.4)
Non-current liabilities	(7,508.4)	(7,605.6)
Net assets/(liabilities)	(318.3)	243.5
Net liabilities attributable to equity holders of the parent	(462.7)	(17.3)
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net liabilities of the joint venture	(231.3)	(8.7)
Unrealised interest income eliminated	(101.4)	(112.7)
Loans to the joint venture	2,505.8	2,320.7
Amount due from the joint venture	57.6	57.6
Carrying amount of the investment	2,230.7	2,256.9
Revenue	1,043.5	903.3
Interest income	12.4	38.8
Depreciation	(27.9)	(32.7)
Interest expenses	(243.9)	(398.2)
Income tax	55.6	(72.0)
Loss for the year	(715.5)	(1,018.8)
Other comprehensive income/(loss) for the year	84.3	(68.2)
Total comprehensive loss for the year	(631.2)	(1,087.0)

At 31st December, 2025, the Group's share of maximum capital commitment as agreed for P&R in respect of its property development projects amounted to HK\$4,200.0 million (2024 - HK\$4,200.0 million) (the "P&R Capital Commitment"). At 31st December, 2025, shareholder's loans in an aggregate amount of HK\$2,505.8 million (2024 - HK\$2,320.7 million) have been contributed, of which HK\$2,004.4 million has been provided under the P&R Capital Commitment, which was interest-free except for an amount of HK\$95.9 million bearing interest at 3.5% per annum (2024 - HK\$107.0 million). The balance of the shareholders loans of HK\$501.4 million (2024 - HK\$501.4 million) was interest-free. In addition, a total amount of HK\$1,616.5 million (2024 - HK\$2,010.6 million) has been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries and an associate of P&R, of which HK\$1,421.8 million (2024 - HK\$1,815.9 million) and HK\$194.7 million (2024 - HK\$194.7 million), respectively, have been provided under the P&R Capital Commitment.

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

	2025 HK\$'million	2024 HK\$'million
Contracted, but not provided for	<u>66.3</u>	<u>55.4</u>

18. INVESTMENTS IN ASSOCIATES

	2025 HK\$'million	2024 HK\$'million
Share of net assets	4.9	5.2
Amounts due from associates	83.6	83.5
Provision for impairment	<u>(79.6)</u>	<u>(79.4)</u>
	<u>8.9</u>	<u>9.3</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, 2025, the loss allowance for impairment of amounts due from associates of HK\$79.6 million (2024 - HK\$79.4 million) represented lifetime ECLs made for credit-impaired balances. Except for the above balances, there has been no significant increase in credit risk of the remaining balances. As at 31st December, 2025 and 2024, the loss allowance for such remaining balances was assessed to be minimal.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Particulars of the Group's principal 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
			2025	2024	
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
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

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

[#] This is a wholly owned subsidiary of 8D Matrix.

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

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:

	2025 HK\$'million	2024 HK\$'million
Share of the associates' profit/(loss) and total comprehensive income/(loss) for the year	(0.3)	1.4
Aggregate carrying amount of the Group's investments in the associates	8.9	9.3

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 HK\$'million	2024 HK\$'million
Non-current:		
Unlisted equity investments, at fair value	49.1	59.2
Unlisted fund investments, at fair value	234.5	356.9
Unlisted debt investments, at fair value	0.2	0.2
Total	<u>283.8</u>	<u>416.3</u>
Current:		
Listed equity investments, at fair value	23.8	42.3
Listed debt investments, at fair value	1.1	6.6
Unlisted debt investments, at fair value	20.5	28.3
Total	<u>45.4</u>	<u>77.2</u>

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 were 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.

As at 31st December, 2025, certain of the Group's financial assets at fair value through profit or loss with a carrying value of HK\$36.0 million (2024 - Nil) were pledged to secure an other loan facility granted to the Group.

During the year, the Group received dividend income from certain unlisted and listed investments amounting to HK\$5.4 million (2024 - HK\$9.8 million) and HK\$0.3 million (2024 - HK\$1.8 million), respectively.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

20. OTHER LOAN

The other loan is analysed as follows:

	2025 HK\$'million	2024 HK\$'million
Loan to Cosmopolitan group	<u>857.0</u>	<u>857.0</u>

The loan to Cosmopolitan group comprises a term loan of HK\$357.0 million (2024 - HK\$357.0 million) and a revolving loan of HK\$500.0 million (2024 - HK\$500.0 million), and is secured by the pledge over the equity interests in the relevant holding companies of Cosmopolitan group's property development projects. The loan facilities originally matured on 12th October, 2024 and bore interest at 5% per annum. Pursuant to a supplemental agreement entered into with Cosmopolitan group during the year, the repayment date of the revised loan facilities in the aggregate amount of HK\$857.0 million was extended for three years to 12th October, 2027 and the interest rate was revised to Hong Kong Interbank Offered Rate ("HIBOR") plus an interest margin of 1.95% per annum. The loan is accordingly classified as a non-current other borrowing as at 31st December, 2025.

The balance above has no recent history of default and past due amounts. As at 31st December, 2025 and 2024, the loss allowance was assessed to be minimal.

21. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK\$135.9 million (2024 - HK\$105.9 million) representing the trade debtors of the Group.

	2025 HK\$'million	2024 HK\$'million
Trade debtors	143.0	117.9
Impairment	(7.1)	(12.0)
Net carrying amount	<u>135.9</u>	<u>105.9</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 (2024 - except for an impairment of HK\$100.1 million being made on the gross amounts due from certain counterparties of HK\$100.1 million which management assessed these other receivables could not be recovered). As at 31st December, 2025 and 2024, the loss allowance of the remaining receivables 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\$10.4 million (2024 - HK\$12.8 million) and an amount due from an associate of a joint venture of HK\$4.2 million (2024 - Nil), which are repayable on credit terms similar to those offered to the major customers of the Group.

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:

	2025 HK\$'million	2024 HK\$'million
Outstanding balances with ages:		
Within 3 months	74.2	88.3
4 to 6 months	35.2	6.5
7 to 12 months	22.7	7.6
Over 1 year	10.9	15.5
	<u>143.0</u>	<u>117.9</u>
Impairment	(7.1)	(12.0)
Total	<u><u>135.9</u></u>	<u><u>105.9</u></u>

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

	2025 HK\$'million	2024 HK\$'million
At 1st January	12.0	15.1
Amount written-off as uncollectible	(5.2)	(0.8)
Impairment loss recognised/(Reversal of impairment loss), net (note 6)	0.3	(2.3)
At 31st December	<u><u>7.1</u></u>	<u><u>12.0</u></u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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, 2025

	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%	–	–	1.1%	2.6%	37.7%	5.0%
Gross carrying amount (HK\$'million)	3.2	36.5	37.7	35.2	22.7	7.7	143.0
Expected credit losses (HK\$'million)	3.2	–	–	0.4	0.6	2.9	7.1

As at 31st December, 2024

	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%	–	–	4.6%	10.5%	62.6%	10.2%
Gross carrying amount (HK\$'million)	3.2	46.0	42.3	6.5	7.6	12.3	117.9
Expected credit losses (HK\$'million)	3.2	–	–	0.3	0.8	7.7	12.0

22. INTANGIBLE ASSETS

	Passenger service licence	
	2025 HK\$ million	2024 HK\$ million
Cost and carrying amount at 31st December	<u>3.6</u>	<u>3.6</u>

23. PROPERTIES HELD FOR SALE

At 31st December, 2025, the Group's properties held for sale with a carrying value of HK\$238.5 million (2024 - HK\$994.9 million), were pledged to secure banking facilities granted to the Group.

24. INVENTORIES

	2025 HK\$'million	2024 HK\$'million
Hotel and other merchandise	<u>21.3</u>	<u>21.2</u>

25. RESTRICTED CASH

At 31st December, 2025, the Group had approximately HK\$309.4 million (2024 - HK\$351.4 million) of cash which was restricted as to use and mainly to be utilised for the purpose of servicing the finance costs and repayments on certain interest bearing bank borrowings, funding the furniture, fixtures and equipment reserve for use in the hotel buildings, and deposits of certain tenants in respect of certain investment properties.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

26. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

Included in the balance is an amount of HK\$52.8 million (2024 - HK\$72.2 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:

	2025 HK\$'million	2024 HK\$'million
Outstanding balances with ages:		
Within 3 months	47.9	68.6
4 to 6 months	1.3	3.2
7 to 12 months	1.2	–
Over 1 year	2.4	0.4
Total	<u>52.8</u>	<u>72.2</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\$12.0 million (2024 - HK\$12.7 million), HK\$22.7 million (2024 - HK\$22.7 million), HK\$60.6 million (2024 - HK\$6.0 million) and as at 31st December, 2024, an amount due to an associate of a joint venture of HK\$1.8 million, respectively, which are unsecured, non-interest bearing and repayable on demand.

27. CONTRACT LIABILITIES

	31st December, 2025 HK\$'million	31st December, 2024 HK\$'million	1st January, 2024 HK\$'million
Contract liabilities arising from:			
Hotel operations and management services	37.8	44.1	47.1
Loyalty point programmes	34.8	18.9	7.8
Total	<u>72.6</u>	<u>63.0</u>	<u>54.9</u>

Contract liabilities include (i) consideration received from customers in advance for hotel operations and management services; and (ii) 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 or purchase certain property units developed by the Group and redeem the points for future spending in the hotels, other designated business units/services, or other gifts.

The increase in contract liabilities was mainly due to the increase in liabilities on the loyalty point programmes.

28. INTEREST BEARING BANK BORROWINGS

	2025		2024	
	Maturity	HK\$'million	Maturity	HK\$'million
Current				
Bank loans - secured	2026	5,270.2	2025	4,912.4
Non-current				
Bank loans - secured	2027 - 2031	9,125.6	2026 - 2031	10,609.0
Total		<u>14,395.8</u>		<u>15,521.4</u>

	2025 HK\$'million	2024 HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	5,270.2	4,912.4
In the second year	5,370.1	5,137.2
In the third to fifth years, inclusive	3,754.2	5,464.9
Beyond five years	1.3	6.9
Total	<u>14,395.8</u>	<u>15,521.4</u>

The interest bearing bank borrowings are subject to loan covenants including interest coverage ratio, loan to value ratio, consolidated tangible net worth and the ratio of consolidated net borrowings over consolidated tangible net worth, which are tested on periodic basis. As at 31st December, 2025, the loan covenants under relevant loan agreements were complied with. The Group considers there is no indication that it will have difficulties in complying with these covenants.

On 10th August, 2021, Regal REIT group, through its wholly-owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$500.0 million (the "2021 IH Facilities"), for a term of five years. The 2021 IH Facilities are secured by four of the five Initial Hotels, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel. As at 31st December, 2025, the 2021 IH Facilities had an outstanding amount of HK\$4,983.5 million, representing the full amount of the term loan facility and an amount of HK\$483.5 million under the revolving loan facility.

On 24th June, 2022, Regal REIT group concluded a 5-year term loan facility of HK\$2,950.0 million (the "2022 RKH Facility") with a lender, secured by the Regal Kowloon Hotel. The 2022 RKH Facility has repayment obligations of HK\$50.0 million on each of its anniversary date to maturity. As at 31st December, 2025, the outstanding amount of the 2022 RKH Facility was HK\$2,800.0 million, after instalment repayment of HK\$50.0 million each in June 2023, June 2024 and June 2025 respectively, representing the full amount of the term loan facility. The Regal REIT group also entered into interest rate swap arrangements to hedge against the interest rate exposure of the 2022 RKH Facility for a notional amount of HK\$900.0 million.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

On 17th October, 2023, Regal REIT group arranged, through its wholly-owned subsidiary, Tristan Limited, a bilateral term loan facility of HK\$749.5 million and secured by the iclub Sheung Wan Hotel (the "2023 SW Facility"). The 2023 SW Facility bears HIBOR-based interest with a four-year term to October 2027. As at 31st December, 2025, the outstanding amount was HK\$749.5 million, representing the full amount of the term loan facility. The Regal REIT group also entered into interest rate swap arrangements to hedge against the interest rate exposure of the 2023 SW Facility for a notional amount of HK\$749.5 million.

On 27th November, 2023, Regal REIT group arranged, through its wholly-owned subsidiary, Wise Decade Investments Limited, another bilateral term loan facility of HK\$755.0 million and secured by the iclub Fortress Hill Hotel (the "2023 FH Facility"). The 2023 FH Facility bears HIBOR-based interest and has a term of five years to November 2028. As at 31st December, 2025, the outstanding amount was HK\$755.0 million, representing the full amount of the term loan facility. The Regal REIT group also entered into interest rate swap arrangements to hedge against interest rate exposure of the 2023 FH Facility for a notional amount of HK\$755.0 million.

On 18th July, 2024, Regal REIT group arranged, through its wholly-owned subsidiary, Sonnix Limited, a term loan facility of HK\$416.5 million, secured by the iclub Wan Chai Hotel (the "2024 WC Facility"), with a term of forty one months to December 2027 and bearing HIBOR-based interest. As at 31st December 2025, the outstanding amount was HK\$416.5 million, representing the full amount of the term loan facility. The Regal REIT group also entered into interest rate swap arrangements to hedge against the interest rate exposure of the 2024 WC Facility for a notional amount of HK\$416.5 million.

On 15th November, 2025, Regal REIT group arranged, through its wholly-owned subsidiary, Land Crown International Limited, a term loan facility of HK\$650.0 million, secured by the iclub To Kwa Wan Hotel (the "2025 TKW Facility"), with a term of two years to November 2027 and bearing HIBOR-based interest. The 2025 TKW Facility has repayment obligation of HK\$10.0 million on its anniversary. As at 31st December, 2025, the outstanding amount was HK\$650.0 million, representing the full amount of the term loan facility. The Regal REIT group also entered into interest rate swap arrangements to hedge against the interest rate exposure of the 2025 TKW Facility for a notional amount of HK\$100 million.

As at 31st December, 2025, the outstanding loan facilities of Regal REIT group bore interest at the Hong Kong Interbank Offered Rate plus an interest margin ranging from 1.05% per annum to 1.80% per annum (2024 - ranging from 1.05% per annum to 1.80% per annum).

Bank borrowings under the 2021 IH Facilities, the 2022 RKH Facility, the 2023 SW Facility, the 2023 FH Facility, the 2025 TKW Facility and the 2024 WC Facility are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

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

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

- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

As at 31st December, 2025, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 1.6% per annum to 2.35% per annum except for a bank loan of HK\$36.6 million, which bore interest at Euro Interbank Offered Rate ("EURIBOR") plus 0.95% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for a bank loan of HK\$36.6 million which was denominated in Euro.

As at 31st December, 2024, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 1.55% per annum to 2.35% per annum except for a bank loan of HK\$40.4 million, which bore interest at EURIBOR plus 0.95% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for a bank loan of HK\$40.4 million which was denominated in Euro.

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

29. OTHER BORROWING

	2025 HK\$'million	2024 HK\$'million
Other borrowing - secured	<u>25.0</u>	<u>73.0</u>
Analysed into:		
Other borrowing repayable:		
Within one year	<u>25.0</u>	<u>73.0</u>

As at 31st December, 2025, the other borrowing represented a revolving loan of HK\$25.0 million drawn from a loan facility of HK\$25.0 million, secured by certain financial assets at fair value through profit or loss and interests in companies holding certain property interests and financial assets at fair value through profit or loss. The loan bears interest at the Hong Kong Best Lending Rate, as quoted by The Hongkong and Shanghai Banking Corporation Limited, plus an interest margin of 6% per annum. The loan facility matures in September 2026 or subject to the lender's right of early cancellation of the facility.

As at 31st December, 2024, the other borrowing represented a revolving loan of HK\$73.0 million drawn from a loan facility of HK\$100.0 million, secured by the equity interests in the relevant holding company of an overseas property development project of the Group. The loan bore interest at the Hong Kong Best Lending Rate, as quoted by The Hongkong and Shanghai Banking Corporation Limited. The loan facility originally matured in October 2025 but was terminated early upon full repayment of the outstanding loan balance in January 2025.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	ASSETS	
	2025 HK\$'million	2024 HK\$'million
Interest rate swaps	–	10.2
Portion classified as non-current	–	(9.9)
Current portion	–	0.3
	LIABILITIES	
	2025 HK\$'million	2024 HK\$'million
Interest rate swaps	43.0	0.7
Portion classified as non-current	(42.0)	(0.7)
Current portion	1.0	–

During the year ended 31st December, 2024, the Group exercised its put option in relation to certain financial assets acquired by the Group in the prior years.

The Group uses interest rate swaps to minimise its exposure to movements in interest rates in relation to certain portion of its floating rate term loans. As at 31st December, 2025, the interest rate swaps had an aggregate notional amount of HK\$3,773.0 million (2024 - HK\$2,748.7 million).

31. 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, 2024	(2.5)	(686.6)	1.8	105.7	(17.8)	(599.4)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	(18.1)	(0.1)	40.8	(2.1)	20.5
Exchange differences	0.2	–	–	–	2.4	2.6
Gross deferred tax assets/(liabilities) at 31st December, 2024 and 1st January, 2025	(2.3)	(704.7)	1.7	146.5	(17.5)	(576.3)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	–	(14.2)	–	8.7	(0.9)	(6.4)
Exchange differences	(0.3)	–	–	–	(2.4)	(2.7)
Gross deferred tax assets/(liabilities) at 31st December, 2025	<u>(2.6)</u>	<u>(718.9)</u>	<u>1.7</u>	<u>155.2</u>	<u>(20.8)</u>	<u>(585.4)</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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:

	2025 HK\$'million	2024 HK\$'million
Net deferred tax assets recognised in the consolidated statement of financial position	47.7	47.7
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(633.1)</u>	<u>(624.0)</u>
Net deferred tax liabilities	<u>(585.4)</u>	<u>(576.3)</u>

The Group has unrecognised tax losses arising in Hong Kong amounting to HK\$6,868.5 million (2024 - HK\$6,445.5 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\$1,133.3 million (2024 - HK\$1,063.5 million) have not been recognised on account of the unpredictability of future profit streams.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in the Chinese Mainland in respect of earnings generated from 1st January, 2008. The applicable rate is 5% or 10% for the Group.

At 31st December, 2025, 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 the Chinese Mainland. 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 the Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately HK\$435.5 million at 31st December, 2025 (2024 - HK\$425.1 million).

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

32. SHARE CAPITAL AND SHARE PREMIUM

	2025 HK\$'million	2024 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 was no movement in the Company's share capital and share premium account during the years ended 31st December, 2025 and 2024.

33. RESERVES

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

34. 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, 2025 and 2024.

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.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

35. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2025	2024
Percentage of equity interest held by non-controlling interests of Regal REIT	<u>25.11%</u>	<u>25.11%</u>
	2025	2024
	HK\$'million	HK\$'million
Loss for the year allocated to non-controlling interests of the Regal REIT group	<u>(107.4)</u>	<u>(135.2)</u>
Accumulated balances of non-controlling interests of the Regal REIT group at the reporting date	<u>(67.7)</u>	<u>48.8</u>

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

	2025	2024
	HK\$'million	HK\$'million
Revenue	710.5	701.2
Loss for the year, before distributions to unitholders	(427.6)	(538.3)
Total comprehensive loss for the year, before distributions to unitholders	<u>(464.4)</u>	<u>(536.6)</u>
Non-current assets	12,630.6	12,900.7
Current assets	250.4	279.8
Current liabilities	(5,346.2)	(1,005.7)
Non-current liabilities	<u>(6,076.2)</u>	<u>(10,261.9)</u>
Net cash flows from/(used in) operating activities	65.1	(50.9)
Net cash flows used in investing activities	(9.8)	(26.2)
Net cash flows from/(used in) financing activities	<u>(52.5)</u>	<u>35.0</u>
Net increase/(decrease) in cash and cash equivalents	<u>2.8</u>	<u>(42.1)</u>

36. DISPOSAL OF A SUBSIDIARY

On 29th July, 2025, the Group entered into a share purchase agreement with an independent third party purchaser in relation to the disposal of the entire equity interest in Waterman House Investments Limited, an indirect wholly-owned subsidiary of the Group and the sole legal and beneficial owner of Waterman House (a hotel property in the United Kingdom), at a headline purchase price of GBP19.5 million (equivalent to approximately HK\$204.0 million). The disposal was completed on 29th September, 2025.

	HK\$ million
Net assets disposed of:	
Property under construction	204.0
Deposit, prepayment and other assets	0.4
	<u>204.4</u>
Exchange equalisation reserve released	(4.9)
	<u>199.5</u>
Gain on disposal of a subsidiary	4.5
	<u>204.0</u>
Total consideration	<u><u>204.0</u></u>
	HK\$ million
Satisfied by:	
Cash consideration	204.0
	<u>204.0</u>
Inflow of cash and cash equivalents included in cash flows from investing activities	<u><u>204.0</u></u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalent balances

	2025 HK\$'million	2024 HK\$'million
Cash and bank balances	204.4	419.2
Non-pledged time deposits with an original maturity of less than three months when acquired	–	31.5
Cash and cash equivalents	204.4	450.7

In addition, at the end of the reporting period, the cash and bank balances of the Group amounting to HK\$5.9 million (2024 - HK\$18.7 million) were held by certain subsidiaries operating in the Chinese Mainland where exchange controls apply.

(b) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$2.3 million (2024 - HK\$4.2 million) and HK\$2.3 million (2024 - HK\$4.2 million), respectively, in respect of lease arrangements for leased properties.

During the year, the Group also had non-cash modifications to right-of-use assets (included those in investment properties) and lease liabilities of HK\$162.8 million (2024 - HK\$0.6 million) and HK\$162.8 million (2024 - HK\$0.6 million), respectively, in respect of lease arrangements for leased properties.

(c) Changes in liabilities arising from financing activities

2025

	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, 2025	15,521.4	73.0	10.6	28.7
Changes from financing cash flows	(1,173.4)	(48.0)	(12.8)	(725.5)
New lease/lease modification	–	–	165.1	–
Foreign exchange movement	5.2	–	0.2	(0.5)
Finance costs	42.6	–	1.2	725.1
At 31st December, 2025	<u>14,395.8</u>	<u>25.0</u>	<u>164.3</u>	<u>27.8</u>

2024

	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, 2024	16,168.2	–	18.2	39.0
Changes from financing cash flows	(688.2)	73.0	(12.8)	(960.3)
New lease/lease modification	–	–	4.8	–
Foreign exchange movement	0.1	–	(0.1)	(2.2)
Finance costs	41.3	–	0.5	952.2
At 31st December, 2024	<u>15,521.4</u>	<u>73.0</u>	<u>10.6</u>	<u>28.7</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:

	2025 HK\$'million	2024 HK\$'million
Within operating activities	1.0	0.5
Within financing activities	12.8	12.8
Total	<u>13.8</u>	<u>13.3</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	2025 HK\$'million	2024 HK\$'million
Fellow subsidiaries:			
Management fees	(i)	37.2	38.2
Development consultancy fees	(ii)	8.2	3.2
Service fees in respect of security systems and products and other software	(iii)	0.4	0.3
Repairs and maintenance fees and construction fees	(iv)	–	18.2
An associate:			
Advertising and promotion fees (including cost reimbursements)	(v)	0.8	2.6
A joint venture:			
Gross interest income	(vi)	43.8	85.8
Estate management fee income	(vii)	1.5	1.5

Notes:

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

- (iii) Fees were paid to certain fellow subsidiaries for the purchases and maintenance services of the security systems and products and other software installed in the Group's hotel properties. The fees were charged based on cost plus a margin depending on the nature and location of the work performed.
- (iv) Fees were paid to a fellow subsidiary for providing repairs and maintenance and construction works for the Group's hotel properties. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.
- (v) The advertising and promotion fees paid to an associate comprised a retainer fee determined by reference to the estimated volume of advertising and promotional activities of the Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.
- (vi) The amount comprises interest income earned by the Group with respect to interest bearing loans to P&R at interest rate of 3.5% per annum and interest income earned by the Group on the loan facilities granted to the Cosmopolitan group at HIBOR plus an interest margin of 1.95% 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 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, before impairment, with related parties:

	Notes	2025 HK\$'million	2024 HK\$'million
Due from fellow subsidiaries	(i)	10.4	12.8
Due to a joint venture	(ii)	(22.7)	(22.7)
Due to associates	(ii)	(12.0)	(12.7)
Due to fellow subsidiaries	(ii)	(60.6)	(6.0)
Loans to a joint venture	(iii)	2,505.8	2,320.7
Due from a joint venture	(iii)	57.6	57.6
Due from associates	(iv)	83.6	83.5
Due from/(to) an associate of a joint venture	(v)	4.2	(1.8)
Other loan	(vi)	857.0	857.0

Notes:

- (i) Details of the amounts due from fellow subsidiaries are included in "Debtors, deposits and prepayments" in note 21 to the financial statements.
- (ii) Details of the amounts due to a joint venture, associates and fellow subsidiaries are included in "Creditors, deposits received and accruals" in note 26 to the financial statements.
- (iii) Details of the loans to a joint venture and the amount due from a joint venture are included in "Investments in joint ventures" in note 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/(to) an associate of a joint venture are included in "Debtors, deposits and prepayments" and "Creditors, deposits received and accruals" in notes 21 and 26 to the financial statements, respectively.
- (vi) Details of other loan are included in note 20 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

	2025 HK\$'million	2024 HK\$'million
Short term employee benefits	25.5	28.0
Staff retirement scheme contributions	1.7	1.9
Total compensation paid to key management personnel	<u>27.2</u>	<u>29.9</u>

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, 2025, the Group's properties under development and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$18,343.5 million were pledged to secure banking facilities and other loan 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 equity interests in the relevant holding companies of certain property interests and financial assets at fair value through profit or loss were also pledged to secure the bank and other borrowing of the Group.

As at 31st December, 2024, the Group's properties under development and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties held for sale, time deposits and bank balances in the total amount of HK\$19,871.2 million were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. The equity interests in the relevant holding company of a property development project were also pledged to secure the other borrowing of the Group.

40. CONTINGENT LIABILITIES

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

	2025 HK\$'million	2024 HK\$'million
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture	1,421.8	1,987.5
Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture	<u>194.7</u>	<u>200.0</u>

At 31st December, 2025, 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\$1,421.8 million (2024 - HK\$1,815.9 million) and HK\$194.7 million (2024 - HK\$194.7 million), respectively.

In addition, a subsidiary of the Group is currently in the process of appealing a notice of stamp duty assessment in the amount of HK\$93.0 million (2024 - HK\$93.0 million) issued by the Inland Revenue Department of Hong Kong SAR in relation to the sub-lease agreement entered into between the Airport Authority and the Group. Based on the opinion of legal advisors, the Directors consider there is a reasonable chance of success in the appeal and accordingly no provision has been made in the consolidated financial statements.

As at 31st December, 2025, the owner of Regala Skycity Hotel is a defendant of a claim lodged by a contractor in relation to certain outstanding construction costs of the hotel amounting to approximately HK\$38.0 million (31st December, 2024 - HK\$38.0 million). The Group has engaged its lawyers and is currently preparing the defence and a counterclaim which is estimated at an amount well in excess of the amount being claimed by the plaintiff. Based on a legal advice obtained, the Directors consider there is an arguable case with reasonable ground for such defence and accordingly no provision is required.

At 31st December, 2024, a corporate guarantee had 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.

41. 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:

2025

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	–	857.0	857.0
Trade debtors (note 21)	–	135.9	135.9
Other financial assets included in debtors, deposits and prepayments	–	88.8	88.8
Financial assets at fair value through profit or loss	329.2	–	329.2
Loans to a joint venture (note 17)	–	2,505.8	2,505.8
Amount due from a joint venture (note 17)	–	57.6	57.6
Amounts due from associates (note 18)	–	4.0	4.0
Restricted cash	–	309.4	309.4
Pledged time deposits and bank balances	–	295.2	295.2
Cash and bank balances	–	204.4	204.4
Total	329.2	4,458.1	4,787.3

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Financial liabilities

	Financial liabilities at fair value through profit or loss - mandatorily designated as such HK\$'million	Financial liabilities at amortised cost HK\$'million	Total HK\$'million
Trade creditors (note 26)	–	52.8	52.8
Other financial liabilities included in creditors, deposits received and accruals	–	408.3	408.3
Amount due to a joint venture (note 26)	–	22.7	22.7
Amounts due to associates (note 26)	–	12.0	12.0
Interest bearing bank borrowings	–	14,395.8	14,395.8
Other borrowing	–	25.0	25.0
Lease liabilities	–	164.3	164.3
Derivative financial instruments	43.0	–	43.0
Total	<u>43.0</u>	<u>15,080.9</u>	<u>15,123.9</u>

2024

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	–	857.0	857.0
Trade debtors (note 21)	–	105.9	105.9
Other financial assets included in debtors, deposits and prepayments	–	156.3	156.3
Financial assets at fair value through profit or loss	493.5	–	493.5
Derivative financial instruments	10.2	–	10.2
Loans to a joint venture (note 17)	–	2,320.7	2,320.7
Amount due from a joint venture (note 17)	–	57.6	57.6
Amounts due from associates (note 18)	–	4.1	4.1
Restricted cash	–	351.4	351.4
Pledged time deposits and bank balances	–	291.7	291.7
Time deposits	–	31.5	31.5
Cash and bank balances	–	419.2	419.2
Total	503.7	4,595.4	5,099.1

Financial liabilities

	Financial liabilities at fair value through profit or loss - mandatorily designated as such HK\$'million	Financial liabilities at amortised cost HK\$'million	Total HK\$'million
Trade creditors (note 26)	–	72.2	72.2
Other financial liabilities included in creditors, deposits received and accruals	–	289.1	289.1
Amount due to a joint venture (note 26)	–	22.7	22.7
Amounts due to associates (note 26)	–	12.7	12.7
Interest bearing bank borrowings	–	15,521.4	15,521.4
Other borrowing	–	73.0	73.0
Lease liabilities	–	10.6	10.6
Derivative financial instruments	0.7	–	0.7
Total	0.7	16,001.7	16,002.4

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that fair values of cash and bank balances, restricted cash, pledged time deposits and bank balances, the current portion of financial assets included in debtors, deposits and prepayments, and the current portion of financial liabilities included in creditors, deposits received and accruals, interest bearing bank borrowings and other borrowing approximate to their carrying amounts largely due to the short term maturities of these instruments.

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.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portions of other loan, financial assets included in debtors and deposits, financial liabilities included in creditors and deposit received and interest bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the directors, the fair values of the non-current portions of other loan, financial assets included in debtors and deposits, financial liabilities included in creditors and deposit received and interest bearing bank borrowings approximate to their carrying amounts.

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, 2025

	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	23.8	–	–	23.8
Listed debt investments	–	1.1	–	1.1
Unlisted equity investments	–	–	49.1	49.1
Unlisted fund investments	–	–	234.5	234.5
Unlisted debt investments	–	20.5	0.2	20.7
Total	23.8	21.6	283.8	329.2

Assets measured at fair value as at 31st December, 2024

	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	42.3	–	–	42.3
Listed debt investments	–	6.6	–	6.6
Unlisted equity investments	–	–	59.2	59.2
Unlisted fund investments	–	–	356.9	356.9
Unlisted debt investments	–	28.3	0.2	28.5
Derivative financial instruments	–	10.2	–	10.2
Total	42.3	45.1	416.3	503.7

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

	2025 HK\$'million	2024 HK\$'million
Financial assets at fair value through profit or loss - unlisted investments:		
At 1st January	416.3	582.5
Purchases	0.7	1.2
Distributions	(78.5)	(17.1)
Total gains/(losses) recognised in profit or loss, net	31.2	(146.2)
Disposal	(85.9)	(4.1)
At 31st December	<u>283.8</u>	<u>416.3</u>

Liabilities measured at fair value as at 31st December, 2025

	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 liabilities at fair value through profit or loss:				
Derivative financial instruments	–	43.0	–	43.0

Liabilities measured at fair value as at 31st December, 2024

	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 liabilities at fair value through profit or loss:				
Derivative financial instruments	–	0.7	–	0.7

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 (2024 - Nil).

Valuation techniques

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

The fair values of 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 fund investment 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 is of insignificant value, there is no separate disclosure on the fair value measurement using significant unobservable inputs (Level 3).

The fair value of the derivative financial instruments, including interest rate swap contracts, are determined based on market value provided by financial institutions.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest bearing bank borrowings and other borrowing, 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 loan, 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 and other borrowing are disclosed in notes 28 and 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.

The Group also enters into interest rate swap, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

For Hong Kong dollar borrowings, assuming the amount of bank borrowings and other borrowing 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\$115.8 million (2024 - HK\$156.5 million). A 10 basis point decrease in interest rates would have decreased the Group's loss before tax for the current year by HK\$11.5 million (2024 - HK\$15.7 million).

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

Credit risk

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

Maximum exposure and year-end staging

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

As at 31st December, 2025

	12-month	Lifetime ECLs			Total HK\$'million
	ECLs			Simplified approach	
	Stage 1 HK\$'million	Stage 2 HK\$'million	Stage 3 HK\$'million	HK\$'million	
Other loan	857.0	–	–	–	857.0
Trade debtors*	–	–	–	143.0	143.0
Other financial assets included in debtors, deposits and prepayments					
- Normal#	88.8	–	–	–	88.8
Restricted cash					
- Not yet past due	309.4	–	–	–	309.4
Pledged time deposits and bank balances					
- Not yet past due	295.2	–	–	–	295.2
Cash and bank balances					
- Not yet past due	204.4	–	–	–	204.4
Loans to a joint venture					
- Normal#	2,505.8	–	–	–	2,505.8
Amount due from a joint venture					
- Normal#	57.6	–	–	–	57.6
Amounts due from associates					
- Normal#	4.0	–	–	–	4.0
- Doubtful#	–	–	79.6	–	79.6
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	1,421.8	–	–	–	1,421.8
Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture					
- Facility drawn					
- Not yet past due	194.7	–	–	–	194.7
Total	5,938.7	–	79.6	143.0	6,161.3

NOTES TO FINANCIAL STATEMENTS (Cont'd)

As at 31st December, 2024	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 loan	857.0	–	–	–	857.0
Trade debtors*	–	–	–	117.9	117.9
Other financial assets included in debtors, deposits and prepayments					
- Normal#	156.3	–	–	–	156.3
- Doubtful#	–	–	100.1	–	100.1
Restricted cash					
- Not yet past due	351.4	–	–	–	351.4
Pledged time deposits and bank balances					
- Not yet past due	291.7	–	–	–	291.7
Time deposits					
- Not yet past due	31.5	–	–	–	31.5
Cash and bank balances					
- Not yet past due	419.2	–	–	–	419.2
Loans to a joint venture					
- Normal#	2,320.7	–	–	–	2,320.7
Amount due from a joint venture					
- Normal#	57.6	–	–	–	57.6
Amounts due from associates					
- Normal#	4.1	–	–	–	4.1
- Doubtful#	–	–	79.4	–	79.4
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture					
- Facilities not yet drawn	171.6	–	–	–	171.6
- Facilities drawn					
- Not yet past due	1,815.9	–	–	–	1,815.9
Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture					
- Facilities not yet drawn	5.3	–	–	–	5.3
- Facility drawn					
- Not yet past due	194.7	–	–	–	194.7
Total	6,677.0	–	179.5	117.9	6,974.4

* 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, loans to a joint venture, amount due from a joint venture and amounts due from associates are 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. 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:

	2025			Total HK\$'million
	Within 1 year or on demand HK\$'million	1 to 5 years HK\$'million	Over 5 years HK\$'million	
Financial liabilities				
Interest bearing bank borrowings	5,871.6	9,801.8	4.2	15,677.6
Other borrowing	27.2	–	–	27.2
Trade creditors	52.8	–	–	52.8
Other financial liabilities included in creditors, deposits received and accruals	395.4	47.6	–	443.0
Lease liabilities	11.8	188.1	–	199.9
Corporate guarantees provided in respect of attributable share of banking facilities utilised by certain subsidiaries of a joint venture	1,421.8	–	–	1,421.8
Corporate guarantee provided in respect of a banking facility utilised by an associate of a joint venture	194.7	–	–	194.7
Total	7,975.3	10,037.5	4.2	18,017.0
Derivative cash flows				
Derivative financial instruments settled on net basis	2.0	2.0	–	4.0

NOTES TO FINANCIAL STATEMENTS (Cont'd)

	2024			Total HK\$'million
	Within 1 year or on demand HK\$'million	1 to 5 years HK\$'million	Over 5 years HK\$'million	
Financial liabilities				
Interest bearing bank borrowings	6,020.2	11,146.7	9.2	17,176.1
Other borrowing	76.1	–	–	76.1
Trade creditors	72.2	–	–	72.2
Other financial liabilities included in creditors, deposits received and accruals	269.9	54.5	–	324.4
Lease liabilities	7.8	2.8	–	10.6
Corporate guarantees provided in respect of attributable share of banking facilities utilised by certain subsidiaries of a joint venture	1,815.9	–	–	1,815.9
Corporate guarantee provided in respect of a banking facility utilised by an associate of a joint venture	194.7	–	–	194.7
Total	8,456.8	11,204.0	9.2	19,670.0
Derivative cash flows				
Derivative financial instruments settled on net basis	5.7	9.5	–	15.2

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.

2025

Listed investments:

– Financial assets at fair value through profit or loss

Unlisted investments at fair value:

– Financial assets at fair value through profit or loss

	Carrying amount of equity investments HK\$'million	Change in loss before tax HK\$'million
	23.8	1.2
	49.1	2.5

2024

Listed investments:

– Financial assets at fair value through profit or loss

Unlisted investments at fair value:

– Financial assets at fair value through profit or loss

	Carrying amount of equity investments HK\$'million	Change in loss before tax HK\$'million
	42.3	2.1
	59.2	3.0

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 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, 2025 and 31st December, 2024.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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 borrowing less cash, bank balances and deposits. The net debt to total assets ratios as at the end of the reporting periods were as follows:

	2025 HK\$'million	2024 HK\$'million
Interest bearing bank borrowings and other borrowing	14,420.8	15,594.4
Less: Cash, bank balances and deposits	(809.0)	(1,093.8)
Net debt	13,611.8	14,500.6
Total assets	22,872.5	24,973.7
Net debt to total assets ratio	59.5%	58.1%

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2025 HK\$'million	2024 HK\$'million
NON-CURRENT ASSETS		
Investments in subsidiaries	5,423.1	5,429.9
CURRENT ASSETS		
Prepayments	0.4	0.2
Cash and bank balances	1.8	1.9
Total current assets	2.2	2.1
CURRENT LIABILITIES		
Creditors and accruals	(4.8)	(5.7)
NET CURRENT LIABILITIES	(2.6)	(3.6)
Net assets	5,420.5	5,426.3
EQUITY		
Issued capital	89.9	89.9
Reserves (Note)	5,330.6	5,336.4
Total equity	5,420.5	5,426.3

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, 2024	404.7	17.7	4,919.6	5,342.0
Loss and total comprehensive loss for the year	–	–	(5.6)	(5.6)
At 31st December, 2024 and 1st January, 2025	404.7	17.7	4,914.0	5,336.4
Loss and total comprehensive loss for the year	–	–	(5.8)	(5.8)
At 31st December, 2025	404.7	17.7	4,908.2	5,330.6

NOTES TO FINANCIAL STATEMENTS (Cont'd)

45. EVENT AFTER THE REPORTING PERIOD

On 20th March, 2026, Regal REIT group entered into a preliminary share purchase agreement with an independent third party to dispose of the entire issued share capital of Chasehill Limited (the "Target Company"), a wholly owned subsidiary of Regal REIT group, at an agreed property valuation of HK\$1,518.0 million for the Regal Oriental Hotel. The wholly owned subsidiary of the Target Company is the sole registered legal and beneficial owner of Regal Oriental Hotel. Full details of this sale transaction were contained in the joint announcement published by the Company on 22nd March, 2026.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30th March, 2026.



To the shareholders of Regal Hotels International Holdings Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Regal Hotels International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 72 to 186, which comprise the consolidated statement of financial position as at 31st December, 2025, 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 material accounting policy information.

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, 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as 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"), as applicable to audits of financial statements of public interest entities. We have also 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.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

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

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of hotel properties

The Group holds several hotel properties in Hong Kong. As at 31st December, 2025, the net carrying amount of hotel properties (included in property, plant and equipment and right-of-use assets) amounted to HK\$16,676.0 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, 2025; 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.

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 HKFRS Accounting Standards as 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 Wong Tsz Tat (practising certificate number: P07060).

Ernst & Young

Certified Public Accountants

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

30th March, 2026

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31st December, 2025

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)	The Queens No.160 Queen's Road West, Hong Kong	Commercial/ residential	Site area - approx. 682 sq. m. (7,342 sq. ft.) Remaining 6 commercial units (gross floor area - approx. 789 sq. m. (8,493 sq. ft.)) held	Completed in 2022	100
(2)	Nos.227-227C 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. 3,691 sq. m. (39,733 sq. ft.)	In planning stage	100
(3)	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 7 houses (gross floor area - approx. 1,741 sq. m. (18,740 sq. ft.)) and 21 car parking spaces held	Occupation permit issued in November 2015 Certificate of compliance obtained in April 2016	50

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2025

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(4)	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 62 units and 4 houses (gross floor area - approx. 10,400 sq. m. (111,946 sq. ft.)) and 86 car parking spaces held	Occupation permit issued in September 2018 Certificate of compliance obtained in February 2019	50
(5)	The Ascent No.83 Shun Ning Road, Sham Shui Po, Kowloon, Hong Kong	Commercial/ residential	Site area - approx. 824.9 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
(6)	Nos.291-293 and Nos.301-303 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong	Commercial/ residential	Site area - approx. 488 sq. m. (5,257 sq. ft.) Gross floor area for proposed new development - approx. 4,395 sq. m. (47,307 sq. ft.)	In planning stage	50

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2025

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(7)	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. 4,329 sq. m. (46,597 sq. ft.)	Demolition works of existing buildings completed and scheme for new development being finalised	50
(8)	Fabrik Rua Dos Fanqueiros 156, Lisbon, Portugal	Commercial/ residential	Gross development area - approx. 1,836 sq. m. (19,768 sq. ft.)	Renovation works completed in August 2024	100

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2025

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(9) 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	Residential/commercial/office/hotel	<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 1 residential unit and 18 commercial units (Total gross floor area - approx. 3,384 sq. m. (36,425 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 remaining office accommodations with gross floor area of approx. 67,970 sq. m. (731,600 sq. ft.) remaining 3 commercial units and 810 car parking spaces (Total gross floor area - approx. 115 sq. m. (1,238 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 Completion Certificate for the hotel obtained in January 2024 <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 Completion Certificate for the commercial complex and the office accommodations obtained in May 2025 	33.76

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2025

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(10) Regal Renaissance at the intersection between Weiguo Road and Xinkai Road, Hedong District, Tianjin, PRC	Commercial/ office/ residential	Site area for the whole development - approx. 31,700 sq. m. (341,000 sq. ft.) <ul style="list-style-type: none"> • remaining 475 commercial and office units, and 1,096 car parking spaces (Total gross floor area - approx. 66,500 sq. m. (715,800 sq. ft.)) 	Residential towers, commercial complex and residential car parking spaces completed in 2018 Completion Certificate for two office towers and the four-storey commercial podium obtained in March 2022	33.76

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2025

PROPERTIES FOR INVESTMENT

	Description	Use	Lease	Percentage of interest attributable to the Company
(1)	8 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)	Car parking space No. 1 G/F, Block 1, Kin Ho Industrial Building, Nos.14-24 Au Pui Wan Street, Shatin, New Territories, Hong Kong	Car parking space	Medium term	100
(4)	Campus La Mola Cami dels Plans de Can Bonvilar s/n, 08227 - Terrassa, Barcelona, Spain	Hotel	Freehold land	100
(5)	Regal Airport Hotel 9 Cheong Tat Road, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	Medium term	74.89
(6)	Regal Hongkong Hotel 88 Yee Wo Street, Causeway Bay, Hong Kong	Hotel	Long term	74.89

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2025

	Description	Use	Lease	Percentage of interest attributable to the Company
(7)	Regal Kowloon Hotel 71 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong	Hotel	Long term	74.89
(8)	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
(9)	Regal Riverside Hotel 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong	Hotel	Medium term	74.89
(10)	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

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2025

	Description	Use	Lease	Percentage of interest attributable to the Company
(11)	iclub Sheung Wan Hotel 138 Bonham Strand, Sheung Wan, Hong Kong	Hotel	Long term	74.89
(12)	iclub Fortress Hill Hotel 18 Merlin Street, North Point, Hong Kong	Hotel	Long term	74.89
(13)	iclub To Kwa Wan Hotel 8 Ha Heung Road, To Kwa Wan, Kowloon, Hong Kong	Hotel	Long term	74.89
(14)	iclub Mong Kok Hotel 2 Anchor Street, Mong Kok, Kowloon, Hong Kong	Hotel	Long term	50
(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
(17)	iclub AMTD Sheung Wan Hotel No.5 Bonham Strand West, Sheung Wan, Hong Kong	Hotel	Long term	25

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,				
	2025 HK\$'million	2024 HK\$'million	2023 HK\$'million	2022 HK\$'million	2021 HK\$'million
Revenue	<u>2,758.5</u>	<u>1,825.8</u>	<u>1,792.2</u>	<u>1,831.1</u>	<u>986.6</u>
Operating profit/(loss) before depreciation	392.9	(706.4)	(181.7)	636.0	228.0
Depreciation	(592.1)	(603.3)	(618.6)	(623.8)	(537.1)
Finance costs	(768.9)	(993.9)	(969.0)	(463.5)	(266.8)
Share of profits and losses of:					
Joint ventures	(280.5)	(419.4)	(181.7)	5.7	31.3
Associates	(0.3)	1.5	(0.1)	0.3	(1.2)
Loss before tax	<u>(1,248.9)</u>	<u>(2,721.5)</u>	<u>(1,951.1)</u>	<u>(445.3)</u>	<u>(545.8)</u>
Income tax	<u>(58.8)</u>	<u>(11.5)</u>	<u>19.5)</u>	<u>34.0)</u>	<u>18.2)</u>
Loss for the year before allocation between equity holders of the parent and non-controlling interests	<u>(1,307.7)</u>	<u>(2,733.0)</u>	<u>(1,931.6)</u>	<u>(411.3)</u>	<u>(527.6)</u>
Attributable to:					
Equity holders of the parent	<u>(1,200.9)</u>	<u>(2,597.8)</u>	<u>(1,791.9)</u>	<u>(358.3)</u>	<u>(494.4)</u>
Non-controlling interests	<u>(106.8)</u>	<u>(135.2)</u>	<u>(139.7)</u>	<u>(53.0)</u>	<u>(33.2)</u>
	<u>(1,307.7)</u>	<u>(2,733.0)</u>	<u>(1,931.6)</u>	<u>(411.3)</u>	<u>(527.6)</u>

PUBLISHED FIVE YEAR FINANCIAL SUMMARY (Cont'd)

ASSETS, LIABILITIES, PERPETUAL SECURITIES AND NON-CONTROLLING INTERESTS

31st December,

	2025 HK\$'million	2024 HK\$'million	2023 HK\$'million	2022 HK\$'million	2021 HK\$'million
Property, plant and equipment	4,681.3	5,139.8	5,743.4	6,014.4	6,327.2
Investment properties	851.9	1,100.1	1,336.5	595.4	605.3
Right-of-use assets	12,140.1	12,257.9	12,534.9	12,857.5	13,133.1
Properties under development	404.6	399.9	451.0	490.8	445.8
Investments in joint ventures	2,233.1	2,259.3	2,817.7	3,122.9	3,161.2
Investments in associates	8.9	9.3	8.7	8.8	8.9
Financial assets at fair value through profit or loss	283.8	416.3	582.5	757.6	659.9
Other loan	857.0	857.0	–	357.0	357.0
Debtors and deposits	4.4	6.8	79.5	84.4	78.6
Derivative financial instruments	–	9.9	–	–	–
Deferred tax assets	47.7	47.7	47.7	47.7	47.7
Intangible assets	3.6	3.6	3.6	6.8	3.6
Current assets	<u>1,356.1</u>	<u>2,466.1</u>	<u>4,913.2</u>	<u>5,904.5</u>	<u>5,967.6</u>
Total assets	<u>22,872.5</u>	<u>24,973.7</u>	<u>28,518.7</u>	<u>30,247.8</u>	<u>30,795.9</u>
Current liabilities	(5,907.9)	(5,468.7)	(2,580.6)	(6,122.4)	(1,231.5)
Creditors and deposits received	(47.5)	(53.6)	(108.1)	(101.6)	(104.8)
Lease liabilities	(153.1)	(2.8)	(6.5)	(15.7)	(21.5)
Interest bearing bank borrowings	(9,125.6)	(10,609.0)	(14,065.9)	(9,929.1)	(14,559.5)
Derivative financial instruments	(42.0)	(0.7)	–	–	–
Deferred tax liabilities	(633.1)	(624.0)	(647.1)	(687.6)	(747.3)
Total liabilities	<u>(15,909.2)</u>	<u>(16,758.8)</u>	<u>(17,408.2)</u>	<u>(16,856.4)</u>	<u>(16,664.6)</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>66.2</u>	<u>(49.2)</u>	<u>(184.0)</u>	<u>(331.9)</u>	<u>(460.1)</u>

