



世紀城市國際控股有限公司
Century City
International Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 355)



2021 ANNUAL REPORT



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Jimmy Lo Chun To (Vice Chairman)

Lo Po Man (Vice Chairman)

Kenneth Ng Kwai Kai

(Chief Operating Officer)

Donald Fan Tung

Kelvin Leung So Po

Independent Non-Executive Directors

Anthony Chuang

Winnie Ng, JP

Wong Chi Keung

AUDIT COMMITTEE

Winnie Ng, JP (Chairman)

Anthony Chuang

Wong Chi Keung

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Anthony Chuang

Winnie Ng, JP

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Anthony Chuang

Winnie Ng, JP

Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited

The Bank of East Asia, Limited

Hang Seng Bank Limited

Standard Chartered Bank (Hong Kong) Limited

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited

4th Floor North, Cedar House, 41 Cedar Avenue

Hamilton HM 12, Bermuda

BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

REGISTERED OFFICE

4th Floor North, Cedar House, 41 Cedar Avenue

Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street

Causeway Bay, Hong Kong

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Mr. Lo Yuk Sui, aged 77; Chairman and Chief Executive Officer — Chairman and Managing Director since 1989 when the Company was established in Bermuda as the ultimate holding company of the Group and designated as the Chief Executive Officer in 2007. Mr. Lo has been the Chairman and the Managing Director of the predecessor listed company of the Group since 1985 and 1986, respectively. He is also an executive director, the chairman and the chief executive officer of Paliburg Holdings Limited (“PHL”), Regal Hotels International Holdings Limited (“RHIHL”) and Cosmopolitan International Holdings Limited (“Cosmopolitan”), all listed subsidiaries 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 RHIHL). 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 Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Lo Chun To (Alias: Jimmy), aged 48; Vice Chairman and Executive Director — Appointed to the Board in 1999. Mr. Jimmy Lo has been a Vice Chairman of the Company since 2013. He is also an executive director, the vice chairman and the managing director of PHL, an executive director of RHIHL, 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 Group’s property projects in the People’s Republic of China (the “PRC”) and, in addition, undertakes responsibilities in the business development of the Century City Group. Mr. Lo is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, aged 42; Vice Chairman and Executive Director — Appointed to the Board in 2007. Miss Lo has been a Vice Chairman of the Company since 2013. She is also an executive director of PHL, an executive director, a vice chairman and the managing director of RHIHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor’s Degree in Psychology. Miss Lo joined the RHIHL Group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the RHIHL Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Ng Kwai Kai (Alias: Kenneth), aged 67; Executive Director and Chief Operating Officer — Appointed to the Board in 1989 and designated as the Chief Operating Officer in 2007. Mr. Kenneth Ng is also an executive director of PHL, RHIHL and Cosmopolitan, and a non-executive director of RPML. Mr. Ng joined the Group in 1985 and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary.

Mr. Anthony Chuang, aged 77; Independent Non-Executive Director — Invited to the Board as Independent Non-Executive Director in 1993. Mr. Chuang graduated from University of Notre Dame, South Bend, Indiana, the United States and has extensive experience in the commercial field.

DIRECTORS' PROFILE (Cont'd)

Mr. Fan Tung, Donald, aged 65; *Executive Director* — Appointed to the Board in 2007. Mr. Donald Fan is also an executive director and the chief operating officer of PHL, an executive director of RHIHL, and a non-executive director of RPML. Mr. Fan is a qualified architect and has been with the Group since 1987. He is in charge of the property development, architectural design and project management functions as well as overseeing the building construction business of the Group.

Mr. Leung So Po (Alias: Kelvin), aged 49; *Executive Director* — Appointed to the Board in 2010. Mr. Kelvin Leung has been with the Group since 1997. He is also an executive director and the chief financial officer of Cosmopolitan. Mr. Leung 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. Mr. Leung is a member of the American Institute of Certified Public Accountants. Mr. Leung has over 26 years of experience in accounting and corporate finance field.

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

Mr. Wong Chi Keung, aged 67; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. He is also an independent non-executive director of PHL and RHIHL. Mr. Wong holds a Master's Degree in Business Administration from the University of Adelaide in Australia. Mr. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Chartered Governance Institute and The Chartered Institute of Management Accountants. Mr. Wong is a responsible officer for asset management and advising on securities under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as Yuexiu Property Company Limited), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard Hotel Group Limited, Asia Standard International Group Limited, Changyou Alliance Group Limited, China Ting Group Holdings Limited, Golden Eagle Retail Group Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 39 years of experience in finance, accounting and management.



Dear shareholders,

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

FINANCIAL RESULTS

For the year ended 31st December, 2021, the Group recorded a consolidated loss attributable to shareholders of HK\$296.8 million, while for the preceding year a loss of HK\$539.7 million was incurred.

As indicated in the announcement on the Group's financial information update published by the Company on 23rd March, 2022, the Group attained during the year substantial profits from the sale of the property units in Mount Regalia in Kau To developed by P&R Holdings Limited (which is a 50/50 joint venture between Paliburg Holdings Limited and Regal Hotels International Holdings Limited, both listed subsidiaries of the Company and, effectively, a subsidiary undertaking of the Group) and in the Regal Cosmopolitan City in Chengdu, China developed by Cosmopolitan International Holdings Limited (a listed subsidiary of the Company held through P&R Holdings). Total profits from sale of properties for the year amounted to HK\$1,242.5 million.

For the year under review, the Group attained a gross profit of HK\$1,494.8 million (2020 - HK\$403.3 million). After accounting for mainly the administrative, property selling and marketing expenses as well as a one-off impairment loss on goodwill relating to the Group's investment in Cosmopolitan in an amount of HK\$261.0 million, the operating profit before depreciation and amortisation, finance costs and tax amounted to HK\$583.8 million (2020 - loss of HK\$191.8 million).

Apart from properties, hotels comprise another core assets of the Group. As at 31st December, 2021, the Group held through its different subsidiary undertakings a portfolio of 12 hotels operating in Hong Kong. Except for the iclub AMTD Sheung Wan Hotel that is owned by a joint venture 50% held by P&R Holdings, all the other 11 hotels are wholly owned and operated within the Group and subject to depreciation charges to conform to applicable accounting standards. Accordingly, depreciation charges in the amount of HK\$599.0 million have been provided on the Group's hotel properties in Hong Kong in 2021 (2020 - HK\$574.3 million) which, although essentially a non-cash item, have nevertheless adversely impacted the Group's results. After further accounting for the finance costs and the substantial income tax (most of which was related to the property projects in China), the Group recorded a loss of HK\$296.8 million attributable to shareholders for the 2021 financial year, but substantially improving from the loss of HK\$539.7 million incurred in the preceding year.

As a matter of fact, if the depreciation charges on the Group's hotel properties in Hong Kong are to be excluded, the Group would have reported a profit attributable to shareholders for the year under review.

Supplementary information showing the adjusted net asset value of the Company of HK\$3.47 per share as at 31st December, 2021, after adjusting for the independent market valuations of the hotel properties in Hong Kong on the basis therein presented, is contained in the paragraph headed "Assets Value" in the section headed "Management Discussion and Analysis" in this Annual Report.

BUSINESS OVERVIEW

The Century City Group comprises a total of five listed entities in Hong Kong, with the Company acting as the ultimate holding company of the Group. As at 31st December, 2021, the Company held approximately 62.3% shareholding in Paliburg, which is the principal subsidiary of the Company, and the core property and hotel businesses of the Group are conducted through various subsidiaries of Paliburg.

As at 31st December, 2021, Paliburg held through its wholly owned subsidiaries a controlling shareholding interest of approximately 69.3% in Regal, which primarily undertakes the Group's hotel businesses. Apart from its hotel operating and management businesses, Regal owns a significant portfolio of diversified business interests and holds approximately 74.9% of the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal that presently owns five Regal Hotels and four iclub Hotels operating in Hong Kong.

The Group's property development and investment businesses in Hong Kong are principally conducted through P&R Holdings which, as mentioned above, is a joint venture 50% held by each of Paliburg and Regal and, effectively, a subsidiary of the Group. At appropriate times, Regal has also undertaken on its own some property projects.

Apart from its property business, P&R Holdings also holds an effective controlling shareholding interest in Cosmopolitan, comprising interests in its ordinary shares, convertible preference shares as well as convertible bonds. P&R Holdings presently holds 48.8% of the issued ordinary shares of Cosmopolitan, but if all of its holdings in the remaining convertible bonds and convertible preference shares of Cosmopolitan are converted, P&R Holdings' shareholding interest in Cosmopolitan will amount to approximately 65.3% of its enlarged capital, based on its existing capital structure. Cosmopolitan is consequently a listed member of the Group and is primarily engaged in property business in China and other investments.

In view of the substantial discount in the market price of the Company's shares, as compared to its underlying net asset value, the Company undertook during the year some buy back of its issued shares on market, which are considered to be beneficial to the shareholders of the Company as they can serve to enhance the net asset value of the Company's issued shares. In 2021, a total of 110 million shares of the Company have been repurchased and duly cancelled.

As mentioned in the 2021 Interim Report, the freighter aircraft held by a wholly owned subsidiary of the Group has been disposed of upon expiry of its finance lease in June 2021. Consequently, the aircraft ownership and leasing business of the Group is at this time only undertaken by Regal. The Regal group presently owns a total of three passenger aircraft, two of which are on operating leases and the remaining aircraft is being remarketed for sale or re-lease. Although the aircraft leasing business has on the whole generated satisfactory investment returns, the Group will continue to be cautious when considering any new investment opportunities under the present market environment, whether to be undertaken through Regal or on its own.

The Group effectively owns an aggregate of 48% interest (comprising 36% interest held through the Regal group and 12% interest held directly by wholly owned subsidiaries of the Company) in Century Innovative Technology group (CIT), a dynamic edutainment company principally engaged in the production of high-quality multimedia content as well as related products and services.

To promote moral values and Chinese culture to young learners, CIT has since 2017 distributed over 4.6 million books across China through its collaboration with a strategic partner, which is planned to be continued in 2022. CIT has over the past years also launched series of books on popular online platforms and distributed edutainment videos and songs on media channels to promote community mindedness. Moreover, CIT is collaborating with a top notch university to provide online and offline executive education in finance and technology as well as innovation and entrepreneurship.

By adapting to the constantly changing landscape, management is confident that the portfolio of high-quality content, products and services in collaboration with its world-class partners will further CIT's strategic vision to support the development and the community of the Greater Bay Area.

Recently, a wholly owned subsidiary of the Group entered into an agreement to acquire the entire equity interest in a local securities brokerage company that started up for business in 2020. Completion of the transaction is anticipated on or before 31st July, 2022, subject to satisfactory due diligence by the purchaser and regulatory approval. The Group anticipates that the securities brokerage business will be able to leverage on the extensive business network and customer base of the Group as a whole, which should create mutual benefits. The Group also considers that the diversification into the securities brokerage business will help to broaden the business and revenue base of the Century City Group.

The operational performance and business review of the Group's listed members for the year under review are respectively highlighted below.

PALIBURG HOLDINGS LIMITED

For the year ended 31st December, 2021, Paliburg recorded a consolidated loss attributable to shareholders of HK\$397.5 million, as compared to the loss of HK\$874.2 million incurred for the preceding year. Being the principal subsidiary of the Company, major factors affecting the financial performance of Paliburg in this financial year are similar to those explained in the section on "Financial Results" of the Company above.

For the year under review, the Paliburg group attained a gross profit of HK\$1,491.4 million (2020 - HK\$390.3 million) and an operating profit before depreciation and amortisation, finance costs and tax of HK\$606.1 million (2020 - loss of HK\$225.8 million). To conform to applicable accounting standards, depreciation charges in the amount of HK\$599.0 million have been provided by Paliburg on its hotel properties in Hong Kong in 2021 (2020 - HK\$574.3 million) which, although having no impact on its cash flow, have nevertheless adversely affected its results. After further accounting for the finance costs and the substantial income tax, most of which was related to the property projects in China, Paliburg recorded a loss of HK\$397.5 million attributable to shareholders for the 2021 financial year, but substantially improving from the loss of HK\$874.2 million incurred in the preceding year.

BUSINESS OVERVIEW

PROPERTIES

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

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

Apart from Mount Regalia, P&R Holdings also owns a mixed portfolio of completed properties and hotels as well as properties held for development in Hong Kong. These included the We Go MALL in Ma On Shan, Sha Tin, the iclub Mong Kok Hotel that is presently operating as a hotel quarantine facility under the Designated Quarantine Hotel Scheme (DQHS) implemented by the Hong Kong Government and a 50% interest in the iclub AMTD Sheung Wan Hotel operating normal hotel business. These properties are all being held for their operating and recurring income.

On the property development side, P&R Holdings owns a commercial/residential project under development at Kam Wa Street in Shau Kei Wan, requisite majority ownership interests in certain existing properties for a composite commercial/residential redevelopment at Castle Peak Road and, in addition, some remaining shop units and carparks in The Ascent in Sham Shui Po and retained houses in Casa Regalia in Yuen Long, both of which are property developments completed by P&R Holdings in earlier years.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

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

During the year under review, the core hotel businesses of Regal continued to be severely disrupted by the COVID-19 pandemic, as there were only very few international and mainland visitors to Hong Kong due to the travel restrictions and quarantine requirements. Nevertheless, the Regal group has adjusted the operating mode of its hotels in Hong Kong to adapt to this difficult market environment, with some of its hotels operating as quarantine hotels under the DQHS at different times during the year. Under the adjusted business strategy, the hotel portfolio of the Regal group as a whole managed to generate increased operating profit as compared with 2020, although the quantum is still far below the normal pre-pandemic levels. Moreover, while P&R Holdings had reported a loss in the preceding year, there was profit contribution attributable to Regal from P&R Holdings in 2021. Consequently, the net loss attributable to shareholders of Regal for the year under review was substantially lower than that recorded in 2020.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

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

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

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

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

HOTEL OWNERSHIP

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

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

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

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

REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2021, the Regal group held approximately 74.9% of the total outstanding issued units of Regal REIT, while Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager.

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

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

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

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

HOTEL OPERATIONS

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

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

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

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

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

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

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

HOTEL MANAGEMENT

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

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

PROPERTIES

Apart from its 50% joint venture interest held in P&R Holdings, the Regal group itself owns a portfolio of investment and development properties.

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

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

Further detailed information on the development projects and properties held by the Regal group is contained in the section headed "Management Discussion and Analysis" in this Annual Report.

AIRCRAFT OWNERSHIP AND LEASING

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

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2021, Cosmopolitan achieved a profit attributable to shareholders of HK\$33.6 million, as compared to the loss of HK\$123.5 million for the preceding year.

The improved results attained in the year under review were largely attributable to the partial recognition of the revenues from the contracted presales of the residential units in the third stage of its Regal Cosmopolitan City development in Chengdu, China, as about 60% of the units presold have been handed over to the purchasers before the year end in 2021. The revenues from the remaining presold units will be recognised in the current financial year, as the hand over of those units is expected to be completed shortly.

The property income from the sale of the residential units and other properties in the Chengdu project, which have been handed over to the purchasers before 31st December, 2021, amounted to HK\$599.4 million before tax and selling expenses. However, at the same time, there were impairment losses on the ascribed goodwill as well as on the property under development comprised within the Chengdu project, which totalled HK\$237.3 million. Consequently, after further accounting for the substantial tax incurred on the property projects, the net profit attributable to shareholders for the financial year under review had been affected.

BUSINESS OVERVIEW

China's economy expanded by 8.1% in 2021, which was in line with market expectations. However, the growth momentum has apparently slowed down towards the end of last year, as the growth rate of its GDP declined from 18.3% in the first quarter to just 4% in the fourth quarter of 2021. Apart from the intermittent disruptions in the global supply chain, one of the reasons for the economic slow down in the latter part of 2021 may be attributed to the adverse impact on market confidence caused by the regulatory measures imposed by the central government authorities to reform selected business industries in China. These regulatory measures included the series of efforts by the government authorities to deleverage the property market in the Mainland, which led to reduced home sales and weakened investment activities in real estate, as compared with the preceding year.

As reported before, nearly all of the 1,555 residential units comprised in the ten residential towers in the third stage of the Regal Cosmopolitan City development in Chengdu have been presold by early 2021 at satisfactory prices. The construction and fitting out works of these residential towers were all completed in December 2021. About 60% of the units presold have been handed over to their respective purchasers before the last year end and the revenues derived therefrom accounted for in the financial results for the year under review. The procedures for the hand over of the remaining units sold are expected to be completed shortly and the relevant revenues will be recognised in the current financial year.

The remaining components of the Regal Cosmopolitan City under development include a 325-room hotel, a commercial complex, five towers of office accommodations as well as shops and car parking spaces. The interior construction works of the hotel for the procurement of the Completion Certificate are scheduled to commence shortly.

The residential portion of the Cosmopolitan group's other composite development in China, the Regal Renaissance in Tianjin, has also been substantially sold. The other components comprise a commercial complex that has been completed and, in addition, two office towers and the commercial podium, the superstructure works for which were recently completed in December 2021.

On 21st September, 2021, the Cosmopolitan group entered into a Supplemental Agreement with the Regal group in relation to the loan facilities granted by the Regal group in 2016, principally with the objective to extending the repayment date of the revised loan facilities in the aggregate amount of HK\$857.0 million for three years to 12th October, 2024, in order that the Cosmopolitan group can align the timing for the repayment of the revised loan facilities with the latest sale progress and completion schedules of the Cosmopolitan group's development projects in Chengdu and Tianjin.

In the meantime, the Cosmopolitan group is conducting preliminary discussions with the Regal group for its possible acquisition of the hotel under development in Regal Cosmopolitan City in Chengdu. Shareholders will be kept apprised of the progress in this respect.

Further detailed information on the two major development projects in Chengdu and Tianjin owned by the Cosmopolitan group, the reforestation and land grant project in Urumqi, Xinjiang as well as its other investments is contained in the section headed "Management Discussion and Analysis" in this Annual Report.

OUTLOOK

REGAL GROUP

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

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

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

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

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

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

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

COSMOPOLITAN GROUP

Over the past few months, the central government of China has been rolling out some monetary easing and fiscal support policies to boost domestic demand and to restore the economic growth momentum in the Mainland. Moreover, the national banks of China are also gradually releasing liquidity in the property market, with a view to promoting the healthy development of the property sector in China in the long term.

The remaining components in the two composite development projects of the Cosmopolitan group in Chengdu and Tianjin command significant values, which are expected to generate substantial revenues when they are all completed and sold.

Despite the increasing uncertainties in the global outlook, the Cosmopolitan group remains optimistic of the continuing economic prospects in China and will continue to seek with prudence appropriate investment opportunities in China that might become available.

PALIBURG GROUP

Due to the various adverse factors affecting the economy of Hong Kong and the latest downturn in the local stock market, the real estate sector in Hong Kong continued to slow down in recent months. Moreover, the fifth wave of the pandemic and the stringent social distancing measures imposed have also restricted property viewing and inspection activities, which will further reduce the volume of property transactions until the restrictive measures are relaxed.

Nevertheless, since the Hong Kong Government revised its land policy in 2018 to boost public housing, the anticipated supply of residential development sites and new residential units in the private sector in Hong Kong will remain low in the medium term. The North Metropolis development plan proposed by the Hong Kong Government is a long term project and will not be able to release any substantial supply of development sites in the near future.

On the other hand, the underlying demand for different types of properties in Hong Kong is still strong and when the borders with the Mainland are reopened, further pent-up demand will be released. The Paliburg group is optimistic that the real estate sector in Hong Kong will gradually stabilise and revive, once when the impact of the unfavourable factors is alleviated and market confidence is restored.

The Paliburg group owns a solid portfolio of property and hotel assets, which are well balanced and geographically diversified. This asset portfolio is anticipated to generate for the Paliburg group a steady stream of development profits as well as operating and recurring income over the coming years.

Although the global economic outlook is still overshadowed by many uncertainties, the directors of Paliburg remain hopeful that the Paliburg group will continue to improve its operating results and to bring satisfactory returns to its shareholders.

CENTURY CITY GROUP

The Group as a whole has built up a solid foundation over the past years and is confident that it will overcome the challenges brought about by the pandemic. The Group is also optimistic that, with the backing of its strong assets portfolio, it will soon resume its previous growth trend in the coming years.

DIRECTORS AND STAFF

Finally, I would like to thank my fellow Directors for their continuous support and all the management and staff members for their loyalty and hard work.

LO YUK SUI

Chairman

Hong Kong
31st March, 2022

PROPERTIES

MOUNT REGALIA

KAU TO • HONG KONG



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



Living room of a garden house



Master bedroom of a garden house

CASA REGALIA / DOMUS

TAN KWAI TSUEN ROAD • HONG KONG



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



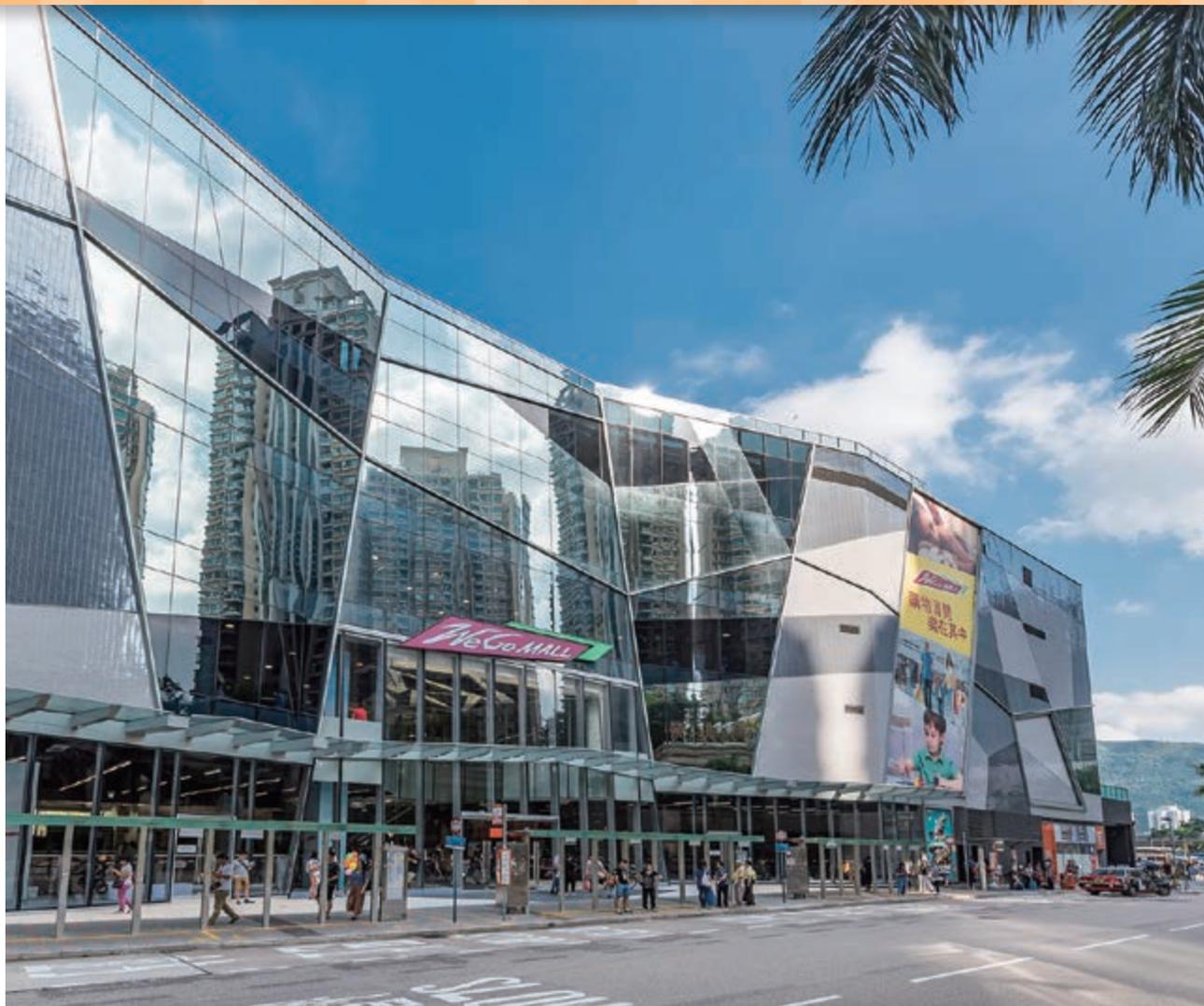
Clubhouse



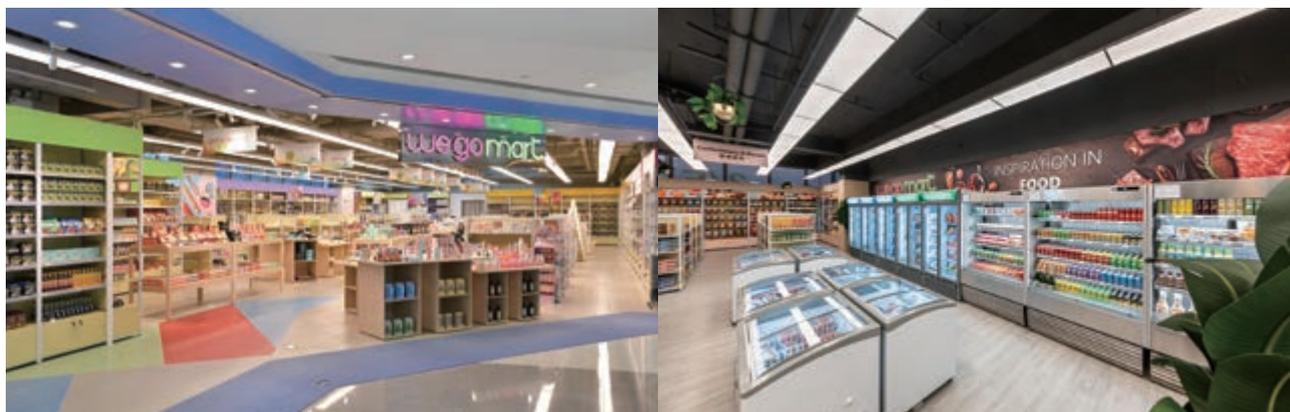
Swimming pool

We Go MALL

MA ON SHAN • HONG KONG



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



We Go Mart

We Go MALL

MA ON SHAN • HONG KONG



Easter decorations



Christmas carol singing



Chinese New Year market

THE QUEENS

QUEEN'S ROAD WEST • HONG KONG



Living room of a show flat



Master bedroom of a show flat



Superstructure works in progress



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

* Artist impression

iclub MONG KOK HOTEL

TAI KOK TSUI • HONG KONG



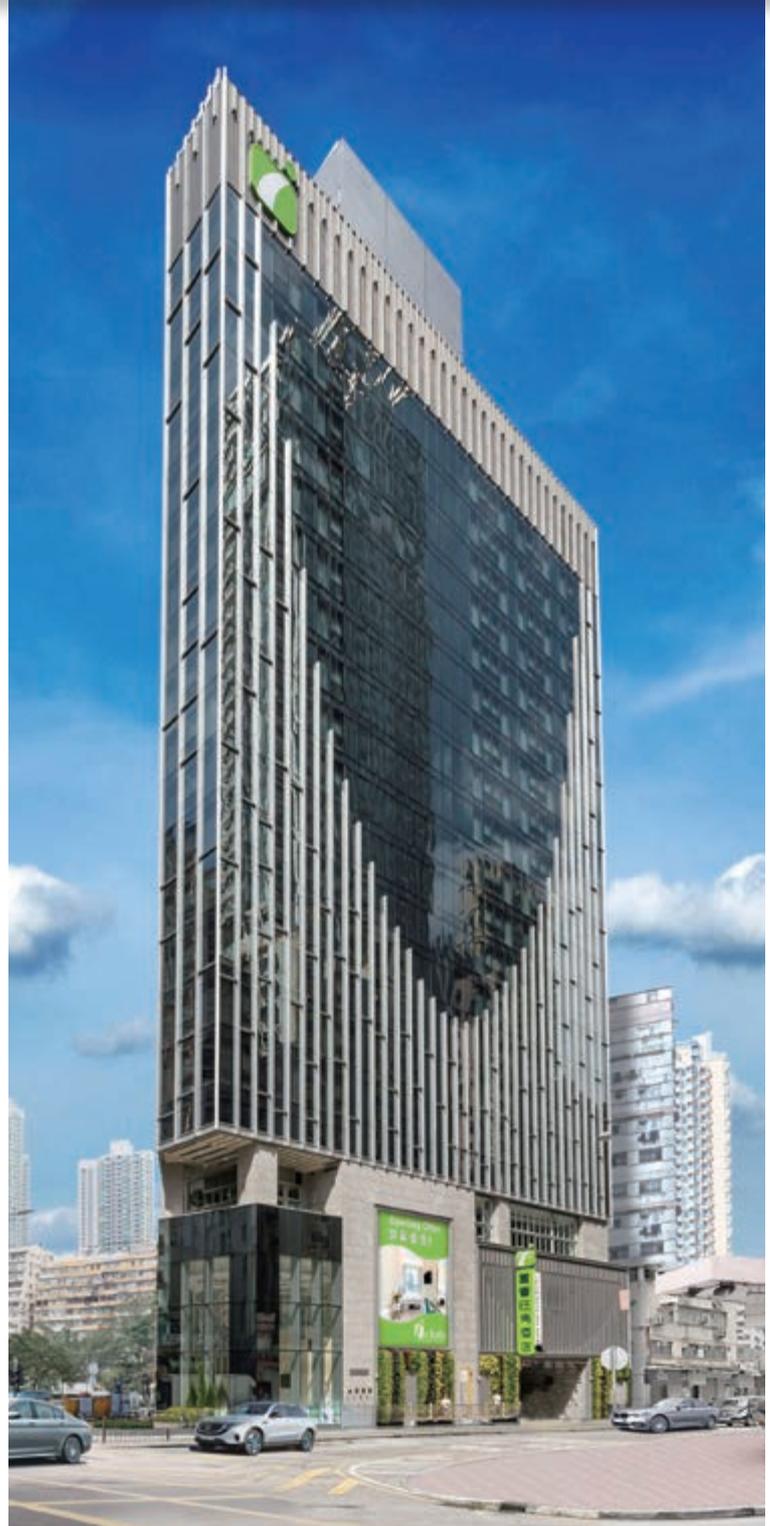
Lobby



iLounge



Premier Plus



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

iclub AMTD SHEUNG WAN HOTEL

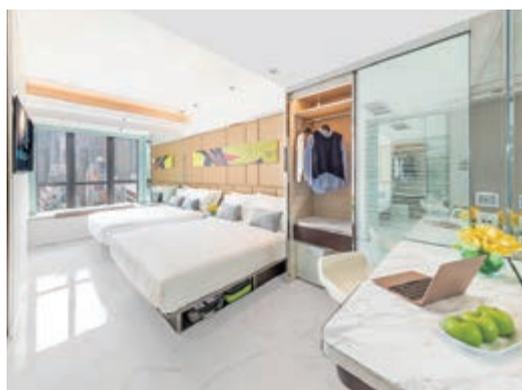
SHEUNG WAN • HONG KONG



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



iResidence Elite



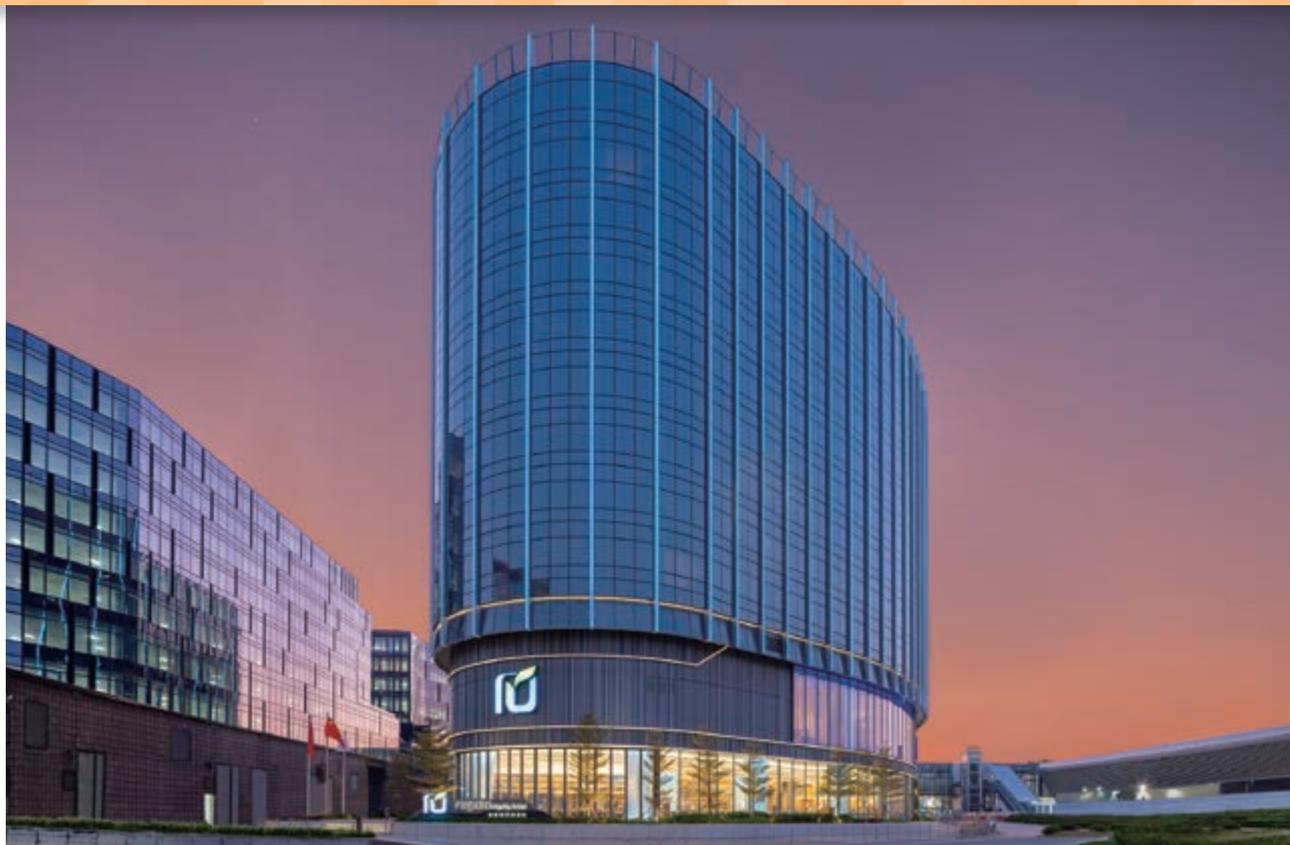
iBusiness Executive



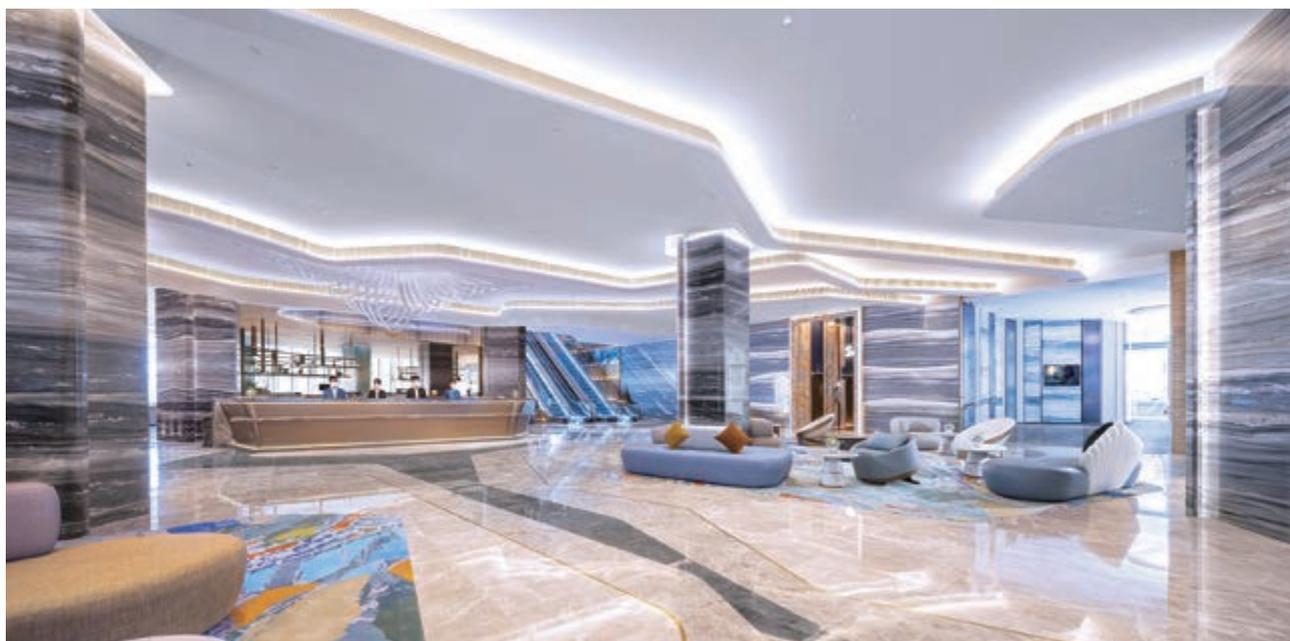
iLounge

REGALA SKYCITY HOTEL

CHEK LAP KOK • HONG KONG



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



Hotel Lobby

REGALA SKYCITY HOTEL

CHEK LAP KOK • HONG KONG



Ballroom - Palladium



Chinese Restaurant - the Jade



Premier Seaview Room

COMPOSITE DEVELOPMENT

Chengdu • Mainland China



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



Regal Xindu Hotel, hotel development at Regal Cosmopolitan City



Commercial/office towers of Regal Cosmopolitan City (*)

* Artist impression

COMPOSITE DEVELOPMENT

Tianjin • Mainland China



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



Residential towers and commercial complex of Regal Renaissance - completed



Office towers of Regal Renaissance - superstructure works completed

* Artist impression

AIRCRAFT OWNERSHIP AND LEASING



Airbus A320-232



Airbus A319

EDUTAINMENT PRODUCTS



Yiling Kinder Biscuits



Scholastic Bodhi Reader Series



Scholastic Sing Along Book Series

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management, aircraft ownership and leasing and other investments including financial assets investments.

The principal businesses of Paliburg Holdings Limited ("PHL"), the Group's listed intermediate subsidiary, comprise its investment in Regal Hotels International Holdings Limited ("RHIHL"), its property development and investment businesses (including those undertaken in Hong Kong through P&R Holdings Limited ("P&R Holdings"), the joint venture with RHIHL, and those in the People's Republic of China (the "PRC") through Cosmopolitan International Holdings Limited ("Cosmopolitan"), which is a listed subsidiary of P&R Holdings), construction and building related businesses, and other investment businesses. The business review of PHL during the year, the commentary on the property sectors in which the PHL group operates and the changes in the general market conditions and the potential impact on their operating performances and future prospects are contained in the preceding Chairman's Statement.

The significant investments and business interests of RHIHL comprise hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT") (a listed subsidiary of the Company and PHL held through RHIHL), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings, aircraft ownership and leasing and other investment businesses. The performance of RHIHL's hotel, property and other investment businesses as well as that of Regal REIT during the year under review, the commentary on the hotel and property sectors in which the RHIHL group operates and the changes in general market conditions and the potential impact on their operating performances and future prospects are contained in the preceding Chairman's Statement.

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

CENTURY INNOVATIVE TECHNOLOGY GROUP (CIT)

The Group effectively owns an aggregate of 48% interest (comprising 36% interest held through the RHIHL group and 12% interest held directly by wholly owned subsidiaries of the Company) in 8D Matrix Limited. 8D Matrix is therefore an associate of the Group and wholly owns the Century Innovative Technology group (CIT). The remaining 52% interest in 8D Matrix is held by private companies owned by Mr. Lo Yuk Sui, the Chairman and controlling shareholder of the Company. CIT is a dynamic edutainment company principally engaged in the production of high-quality multimedia content as well as related products and services.

To promote moral values and Chinese culture to young learners, CIT has collaborated with KFC since 2017 and distributed over 4.6 million books across 4,000 KFC outlets in China and plans to continue this collaboration in 2022. CIT also launched a complete series of bilingual books which are available on popular online platforms such as XinHua, Taobao and JD, and a second set is planned for 2022. Additionally, CIT continues to collaborate with Tencent Music, NewTV and other media channels to distribute edutainment videos and songs promoting community mindedness.

To meet the growing demand for lifelong learning, CIT is collaborating with a top notch university to provide online and offline executive education in finance and technology as well as innovation and entrepreneurship. With an aim to nurture the next generation of global citizens and to boost connectivity within the Greater Bay Area, CIT is partnering with a leading educational institution in the Greater Bay Area to develop a unique and robust approach to learning.

By adapting to the constantly changing landscape, management is confident that the portfolio of high-quality content, products and services in collaboration with its world-class partners will further CIT's strategic vision to support the development and the community of the Greater Bay Area.

PALIBURG HOLDINGS LIMITED

P&R HOLDINGS LIMITED

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

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

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

This residential project, which was completed in 2016, has a site area of approximately 11,192 square metres (120,470 square feet) and provides a total of 170 units, comprising 36 garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

RHIHL is a listed subsidiary of PHL. Further information relating to the property projects undertaken and the principal properties owned by the RHIHL group, which are all wholly owned by RHIHL, is set out below:

Hong Kong

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

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

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

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

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

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

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

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

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

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

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

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

Overseas

Campus La Mola, Barcelona, Spain

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

41 Kingsway, London WC2B 6TP, the United Kingdom

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

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

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

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

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

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

Property Development

Chengdu Project – Regal Cosmopolitan City

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

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

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

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

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

Tianjin Project – Regal Renaissance

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

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

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

Xinjiang Project

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

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

FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, private equities, bonds as well as treasury and yield enhancement products. Due to the economic disruptions caused by the sporadic outbreaks of the COVID-19 pandemic globally, the increasing inflationary pressures in most countries as well as other adverse factors, the capital market was volatile during the year. Market sentiment in Hong Kong was relatively weak, with the Hang Seng Index having dropped by 14.1% during 2021. The performance of the Group's financial asset investments business has also been affected and recorded a net loss in this segment in the financial year under review, mainly due to the fair value losses on the financial assets held at fair value through profit or loss.

FINANCIAL REVIEW

ASSETS VALUE

All the hotel properties of the Group in Hong Kong owned by Regal REIT, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, were stated in the financial statements at their fair values as at 7th May, 2012 when RHIHL, together with Regal REIT, became subsidiaries of the Group, plus subsequent capital additions and deducting accumulated depreciation. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel were stated in the Group's financial statements at cost after full elimination of the unrealised gain arising from the disposal of the hotels by P&R Holdings to Regal REIT, while the iclub Mong Kok Hotel owned by P&R Holdings and the Regala Skycity Hotel owned by the RHIHL group, completed in 2019 and 2021 respectively, are stated at cost, and they are all also subject to depreciation. For the purpose of providing supplementary information, if the entire hotel property portfolio of the Group in Hong Kong is restated in the consolidated financial statements at market value as at 31st December, 2021, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$3.47 per share, computed as follows:

	As at 31st December, 2021	
	HK\$'million	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	7,978.5	2.58
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	2,753.8	0.89
Unaudited adjusted net assets attributable to equity holders of the parent	10,732.3	3.47

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.

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Property development projects in the PRC are presently financed by internal resources and proceeds from the presale of the units. Project financing for the projects in the PRC may be arranged in local currency on appropriate terms to cover a part of the land cost and/or construction cost, and with the loan maturity tied in to the estimated project completion date.

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

Cash Flows

Net cash flows generated from operating activities during the year under review amounted to HK\$727.4 million (2020 - HK\$2,321.1 million). Net interest payment for the year amounted to HK\$302.3 million (2020 - HK\$385.3 million).

Borrowings and Gearing

As at 31st December, 2021, the Group had cash and bank balances and deposits of HK\$3,218.8 million (2020 - HK\$3,361.6 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$16,875.4 million (2020 - HK\$16,949.4 million).

As at 31st December, 2021, the gearing ratio of the Group was 37.6% (2020 - 35.9%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$16,875.4 million (2020 - HK\$16,949.4 million), as compared to the total assets of the Group of HK\$44,881.0 million (2020 - HK\$47,246.4 million).

On the basis of the adjusted total assets as at 31st December, 2021 of HK\$52,715.9 million (2020 - HK\$52,723.3 million) with the hotel portfolio owned by the Group in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 32.0% (2020 - 32.1%).

As at 31st December, 2021, the Group had net current assets of HK\$8,029.2 million (2020 - net current liabilities of HK\$325.6 million). In February 2021, the Group completed a refinancing with a syndicate of bank lenders for a 3-year term facility in an aggregate facility amount of HK\$4,125.0 million secured on the Mount Regalia properties.

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

Details of the maturity profile of the borrowings of the Group as of 31st December, 2021 are shown in notes 32 and 33 to the financial statements.

Lease Liabilities

As at 31st December, 2021, the Group had lease liabilities of HK\$71.9 million (2020 - HK\$66.7 million).

Pledge of Assets

As at 31st December, 2021, certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$32,168.1 million (2020 - HK\$33,043.8 million) were pledged to secure general 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. In addition, as at 31st December, 2021, certain ordinary shares in a listed subsidiary with a market value of HK\$266.7 million (2020 - HK\$237.8 million) were also pledged to secure general banking facilities granted to the Group.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2021 are shown in note 44 to the financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2021 are shown in note 43 to the financial statements.

Share Capital

During the year under review, the Company repurchased a total of 110,000,000 ordinary shares of the Company at aggregate purchase prices of HK\$49,205,660 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). All these 110,000,000 repurchased ordinary shares were cancelled during the year.

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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 1,800 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, 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are property development and investment, construction and building related businesses, hotel ownership business through Regal Real Estate Investment Trust ("Regal REIT"), the listed subsidiary of Regal Hotels International Holdings Limited ("RHIHL") (a listed subsidiary of the Company), hotel operation and management businesses through RHIHL, asset management of Regal REIT, aircraft ownership and leasing business, and other investments including financial assets investments. There have been no significant changes in the above activities during the year.

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

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2021 and the Group's financial position at that date are set out in the financial statements on pages 70 to 201.

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 5 to 15 and pages 29 to 39, respectively, of this Annual Report. These discussions form part of this Report of the Directors. Details of the Group's financial risk management are disclosed in note 47 to the financial statements.

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

DIVIDENDS

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

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

ANNUAL GENERAL MEETING

The 2022 Annual General Meeting of the Company will be convened to be held on Monday, 13th June, 2022. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the "Circular") to be sent to the shareholders, together with this Annual Report.

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the 2022 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Wednesday, 8th June, 2022 to Monday, 13th June, 2022, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to be entitled to attend and vote at the 2022 Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:30 p.m. on Tuesday, 7th June, 2022.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Kenneth Ng Kwai Kai
Mr. Anthony Chuang
Mr. Donald Fan Tung
Mr. Kelvin Leung So Po
Ms. Winnie Ng, JP
Mr. Wong Chi Keung

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

In accordance with Bye-law 109(A) of the Bye-laws of the Company, the following Directors will retire from office by rotation at the 2022 Annual General Meeting:

- (i) Mr. Jimmy Lo Chun To (Vice Chairman and Executive Director);
- (ii) Miss. Lo Po Man (Vice Chairman and Executive Director); and
- (iii) Mr. Kenneth Ng Kwai Kai (Executive Director and Chief Operating Officer).

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2022 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), will be set out in the Circular.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed, none of the Directors of the Company nor a connected entity of the Directors had any beneficial interests, whether direct or indirect, in any significant transactions, arrangements or contracts to which the Company or any of its 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 subsidiaries a party to any arrangement whose objects are to enable a Director 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, 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2021)
				Personal interests	Corporate interests	Family/Other interests	
1.	The Company	Mr. Lo Yuk Sui	Ordinary (issued)	110,887,396	1,769,164,691 (Note a)	380,683	1,880,432,770 (60.78%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	–	–	4,000 (0.000%)
2.	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%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	50,185	–	–	50,185 (0.005%)

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, 2021)
				Personal interests	Corporate interests	Family/Other interests	
3.	RHIHL	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		Miss Lo Po Man	Ordinary (issued)	300,000	269,169 (Note d)	–	569,169 (0.06%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	4,719,526,144 (Note e)	–	4,719,526,144
			(ii) (unissued)	–	3,045,487,356 (Note f)	–	3,045,487,356
						Total:	7,765,013,500 (121.47%)
			Preference (issued)	–	2,295,487,356 (Note f)	–	2,295,487,356 (99.99%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.04%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.02%)
5.	Regal REIT	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note h)	–	1,000 (100%)
7.	8D Matrix Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	2,000,000 (Note i)	–	2,000,000 (100%)
8.	8D International Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	500,000 (Note j)	–	500,000 (100%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2021)
				Personal interests	Corporate interests	Family/Other interests	
9.	8D International (China) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1 (Note k)	–	1 (100%)
10.	Century Digital Communications (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1 (Note l)	–	1 (100%)
11.	Century Digital Communications Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	2 (Note m)	–	2 (100%)
12.	Century Digital Enterprise Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	100 (Note n)	–	100 (100%)
13.	Century Digital Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	3 (Note o)	–	3 (100%)
14.	Century Digital Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	49,968 (Note p)	–	49,968 (99.94%)
15.	China Noble Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1 (Note q)	–	1 (100%)
16.	Full Range Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	10,000 (Note r)	–	10,000 (100%)
17.	Giant Forward Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1 (Note s)	–	1 (100%)
18.	Grand Modern Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	330 (Note t)	–	330 (100%)
19.	Important Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	10,000 (Note u)	–	10,000 (100%)
20.	Net Age Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	97 (Note v)	–	97 (100%)

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, 2021)
				Personal interests	Corporate interests	Family/Other interests	
21.	Net Community Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	3 (Note w)	–	3 (100%)
22.	Pilot Pro Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1 (Note x)	–	1 (100%)
23.	Speedway Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	50,000 (Note y)	–	50,000 (100%)
24.	Task Master Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1 (Note z)	–	1 (100%)
25.	Top Technologies Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	10,000 (Note aa)	–	10,000 (100%)
26.	Treasure Collection International Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	2 (Note ab)	–	2 (100%)

Notes:

- (a) The interests in 1,769,164,691 issued ordinary shares of the Company were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").
- (b) The interests in 694,124,547 issued ordinary shares of PHL were held through companies wholly owned by the Company, in which Mr. Lo held 60.77% shareholding interests.

The interests in 16,271,685 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which Mr. Lo held 60.77% shareholding interests. The interests in 622,433,861 issued ordinary shares of RHIHL were held through companies wholly owned by PHL, in which the Company held 62.28% shareholding interests. PHL held 69.25% shareholding interests in RHIHL.
- (d) The interests in 269,169 issued ordinary shares of RHIHL were held through a company wholly owned by Miss Lo Po Man.
- (e) The interests in 3,121,001,480 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings Limited ("P&R Holdings"), which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. The interests in the other 1,065,191,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of RHIHL. The interests in the other 533,333,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of PHL. PHL, in which the Company held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 60.77% shareholding interests in the Company.
- (f) The interests in 3,045,487,356 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. PHL, in which the Company held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 60.77% shareholding interests in the Company.

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

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

- (g) The interests in 2,439,613,739 issued units of Regal REIT were held through wholly owned subsidiaries of RHIHL. 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 the Company. PHL, in which the Company held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 60.77% shareholding interests in the Company.
- (h) 400 shares were held through companies controlled by the Company, in which Mr. Lo held 60.77% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (i) 800,000 shares were held through companies controlled by the Company, in which Mr. Lo held 60.77% shareholding interests, and 1,200,000 shares were held through companies controlled by Mr. Lo (including 8D International (BVI) Limited).

REPORT OF THE DIRECTORS (Cont'd)

(j) The interests in these shares of 8D International Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited ("CCIHL")	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Century City BVI Holdings Limited	40.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

(k) The interest in the share of 8D International (China) Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Century City BVI Holdings Limited	40.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

- (l) The interest in the share of Century Digital Communications (BVI) Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

- (m) The interests in these shares of Century Digital Communications Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Century Digital Communications (BVI) Limited	Important Holdings Limited	100.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
Century Digital Communications (BVI) Limited	Important Holdings Limited	100.00

REPORT OF THE DIRECTORS (Cont'd)

- (n) The interests in these shares of Century Digital Enterprise Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Century Digital Investments Limited	Important Holdings Limited	99.93
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
Century Digital Investments Limited	Important Holdings Limited	99.93

- (o) The interests in these shares of Century Digital Holdings Limited were held through corporations wholly owned by Mr. Lo.

- (p) The interests in these shares of Century Digital Investments Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(q) The interest in the share of China Noble Investments Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00
Pilot Pro Holdings Limited	8D Matrix Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00
Pilot Pro Holdings Limited	8D Matrix Limited	100.00

(r) The interests in these shares of Full Range Technology Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

REPORT OF THE DIRECTORS (Cont'd)

(s) The interest in the share of Giant Forward Holdings Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

(t) The interests in these shares of Grand Modern Investments Limited were held through corporations wholly owned by Mr. Lo.

(u) The interests in these shares of Important Holdings Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Secure Way Technology Limited	Mr. Lo	100.00

- (v) The interests in these shares of Net Age Technology Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Century Digital Investments Limited	Important Holdings Limited	99.93
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
Century Digital Investments Limited	Important Holdings Limited	99.93

- (w) The interests in these shares of Net Community Limited were held through a corporation wholly owned by Mr. Lo.

- (x) The interest in the share of Pilot Pro Holdings Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00

REPORT OF THE DIRECTORS (Cont'd)

(y) The interests in these shares of Speedway Technology Limited were held through corporations wholly owned by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(z) The interest in the share of Task Master Technology Limited was held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00

(aa) The interests in these shares of Top Technologies Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67

(ab) The interests in these shares of Treasure Collection International Limited were held through corporations controlled by Mr. Lo as detailed below:

(a) Name of corporation	Controlled by	% of control
CCIHL	Mr. Lo	60.77
Century City BVI Holdings Limited	CCIHL	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
8D Matrix Limited	Important Holdings Limited	60.00
8D Matrix Limited	Century City BVI Holdings Limited	40.00
Giant Forward Holdings Limited	8D Matrix Limited	100.00
(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Important Holdings Limited	Task Master Technology Limited	33.33
Secure Way Technology Limited	Mr. Lo	100.00
Important Holdings Limited	Secure Way Technology Limited	66.67
8D Matrix Limited	Important Holdings Limited	60.00
Giant Forward Holdings Limited	8D Matrix Limited	100.00

Save as disclosed herein, as at 31st December, 2021, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2021, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 31st December, 2021
YSL International Holdings Limited ("YSL Int'l") (Notes i and ii)	1,650,397,502	–	1,650,397,502	53.35%
Grand Modern Investments Limited ("Grand Modern") (Notes i and ii)	1,630,416,666	–	1,630,416,666	52.70%
Dalton Investments LLC	279,722,635	–	279,722,635	9.04%

Notes:

- (i) These companies are wholly owned by Mr. Lo Yuk Sui and their interests in ordinary shares are included in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed in the section headed "Directors' Interests in Share Capital" above.
- (ii) The interests in 19,980,836 ordinary shares are directly held by YSL Int'l and the interests in the other 1,630,416,666 ordinary shares are directly held by Grand Modern, which is wholly owned by YSL Int'l.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31st December, 2021, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

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

- (1) Mr. Lo Yuk Sui is a director of YSL Int'l.
- (2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Miss Lo Po Man are directors of Grand Modern.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30th June, 2021 is set out below:

Name of Director	Details of changes
<i>Executive Directors:</i>	
Mr. Lo Yuk Sui	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$922,500 commencing from January 2022. (Notes (i) and (ii))
Mr. Jimmy Lo Chun To	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$243,900 commencing from January 2022. (Note (i))
Miss Lo Po Man	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$243,900 commencing from January 2022. (Note (i))
Mr. Kenneth Ng Kwai Kai	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$268,600 commencing from January 2022. (Note (i))
Mr. Donald Fan Tung	<ul style="list-style-type: none"> Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$248,100 commencing from January 2022. (Note (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\$190,700 commencing from January 2022. (Note (i))

Notes:

- (i) Each Executive Director is also entitled to a performance based discretionary bonus and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK\$150,000 per annum in acting as a Director of the Company. Details of the remuneration of the Executive Directors for the year ended 31st December, 2021 are disclosed in note 8 to the financial statements.
- (ii) Mr. Lo Yuk Sui, who is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company, is entitled to normal fee of HK\$50,000 per annum in acting as the chairman or a member of each of such board committees.

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

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

During the year ended 31st December, 2021, the Company repurchased a total of 110,000,000 ordinary shares of the Company at aggregate purchase prices of HK\$49,205,660 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
July 2021	52,264,000	0.455	0.435	23,507,300
August 2021	1,460,000	0.450	0.435	647,180
September 2021	31,704,000	0.450	0.440	14,247,120
October 2021	20,600,000	0.445	0.435	9,061,960
November 2021	3,816,000	0.440	0.425	1,675,020
December 2021	156,000	0.430	0.430	67,080
Total	<u>110,000,000</u>			49,205,660
		Total expenses on shares repurchased		<u>238,166</u>
			Total	<u>49,443,826</u>

All the above 110,000,000 repurchased ordinary shares were cancelled during the year. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to 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 32 and 33 to the financial statements.

SHARE CAPITAL

The details of the share capital of the Company are set out in note 36 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of the Company's share premium account are set out in note 36 to the financial statements.

SUBSIDIARIES

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

ASSOCIATES

Particulars of the Group's investments in associates are set out in note 17 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2021, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$3,697.2 million.

In addition, the Company's share premium account, in the amount of HK\$1,521.0 million, may be distributed in the form of fully paid bonus shares.

FINANCE COSTS CAPITALISED

Finance costs in the amount of HK\$145.4 million were capitalised during the year in respect of the Group's property development projects.

REPORT OF THE DIRECTORS (Cont'd)

AUDITOR

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company for the year ended 31st December, 2021 will be published as a separate report from this Annual Report in compliance with relevant requirements under the Listing Rules on or before 31st May, 2022.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong
31st March, 2022

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

The Company is committed to maintaining good corporate governance practices and procedures. The Company conducts regular review of its policies and practices in respect of the management and corporate matters of the Group. To comply with the new requirements for enhanced operating standards, revision of the existing policies and practices and introduction of appropriate new measures have been implemented. Periodic review of the system and controls within the Group is also carried out by the Company to comply with the prevailing standards and requirements of good corporate governance.

(I) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) during the year ended 31st December, 2021, except that:

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

(II) BOARD OF DIRECTORS

The Board currently comprises the following members:

Executive Directors:

Mr. Lo Yuk Sui (*Chairman and Chief Executive Officer*)

Mr. Jimmy Lo Chun To (*Vice Chairman*)

Miss Lo Po Man (*Vice Chairman*)

Mr. Kenneth Ng Kwai Kai (*Chief Operating Officer*)

Mr. Donald Fan Tung

Mr. Kelvin Leung So Po

Independent Non-Executive Directors:

Mr. Anthony Chuang

Ms. Winnie Ng, JP

Mr. Wong Chi Keung

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

During the year ended 31st December, 2021, the Company has fully complied with Rules 3.10 and 3.10A of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

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

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

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

In year 2021, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	Attendance	
	Board Meetings	General Meetings
<i>Executive Directors</i>		
Mr. Lo Yuk Sui (<i>Chairman and Chief Executive Officer</i>)	6/6	1/1
Mr. Jimmy Lo Chun To (<i>Vice Chairman</i>)	6/6	1/1
Miss Lo Po Man (<i>Vice Chairman</i>)	6/6	1/1
Mr. Kenneth Ng Kwai Kai (<i>Chief Operating Officer</i>)	6/6	1/1
Mr. Donald Fan Tung	6/6	1/1
Mr. Kelvin Leung So Po	6/6	1/1
<i>Independent Non-Executive Directors</i>		
Mr. Anthony Chuang	6/6	1/1
Ms. Winnie Ng, JP	6/6	1/1
Mr. Wong Chi Keung	6/6	1/1

The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary. In addition, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In year 2021, the Company arranged for Directors reading materials covering topics relating to board culture and accountability as well as reporting in environmental, social and governance report. The training received by the Directors during year 2021 is summarised below:

Name of Directors	Types of training
<i>Executive Directors</i>	
Mr. Lo Yuk Sui (<i>Chairman and Chief Executive Officer</i>)	B
Mr. Jimmy Lo Chun To (<i>Vice Chairman</i>)	B
Miss Lo Po Man (<i>Vice Chairman</i>)	B
Mr. Kenneth Ng Kwai Kai (<i>Chief Operating Officer</i>)	A, B
Mr. Donald Fan Tung	B
Mr. Kelvin Leung So Po	A, B
<i>Independent Non-Executive Directors</i>	
Mr. Anthony Chuang	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:

Ms. Winnie Ng, JP (*Chairman of the Committee*)

Mr. Anthony Chuang (*Member*)

Mr. Wong Chi Keung (*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 2021, 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
Ms. Winnie Ng, JP (<i>Chairman of the Committee</i>)	2/2
Mr. Anthony Chuang	2/2
Mr. Wong Chi Keung	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*)

Mr. Anthony Chuang (*Member*)

Ms. Winnie Ng, JP (*Member*)

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

In year 2021, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	Attendance
Mr. Wong Chi Keung (<i>Chairman of the Committee</i>)	1/1
Mr. Lo Yuk Sui	1/1
Mr. Anthony Chuang	1/1
Ms. Winnie Ng, JP	1/1

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

The remuneration of the senior management (comprising Executive Directors) of the Company for the year ended 31st December, 2021 by band is set out below:

Remuneration band	Number of individuals
HK\$2,500,000 – 3,000,000	1
Within bands from HK\$3,000,001 – 4,500,000	1
HK\$4,500,001 – 5,000,000	1
Within bands from HK\$5,000,001 – 6,500,000	0
HK\$6,500,001 – 7,000,000	2
Within bands from HK\$7,000,001 – 17,500,000	1

Further details of the Executive Directors' remuneration for the year ended 31st December, 2021 are disclosed in note 8 to the financial statements contained in this Annual Report.

(c) Nomination Committee

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

The Nomination Committee currently comprises the following members:

Executive Director:

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

Independent Non-Executive Directors:

Mr. Anthony Chuang (*Member*)

Ms. Winnie Ng, JP (*Member*)

Mr. Wong Chi Keung (*Member*)

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

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

Name of Nomination Committee members	Attendance
Mr. Lo Yuk Sui (<i>Chairman of the Committee</i>)	1/1
Mr. Anthony Chuang	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 those 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 Century City International Holdings Limited" (the "Century Code"), on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct governing the securities transactions by the Directors of the Company.

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Century Code during the year ended 31st December, 2021.

(VI) RISK MANAGEMENT AND INTERNAL CONTROL

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

Management of the Company has put into effect a set of corporate policies and procedures for the principal business operations of the Group, with an objective to achieving sound and effective risk management and internal control systems. Separate meetings participated by Executive Directors, Group Financial Controller and related division heads 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. While the regular monitoring of the risk management and internal control mechanisms is mainly conducted by the delegated Executive Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

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

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

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

(VII) AUDITOR'S REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditor of the Company at the 2021 Annual General Meeting until the conclusion of the forthcoming 2022 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditor of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2021 were HK\$12.4 million (2020 - HK\$13.0 million) and HK\$4.5 million (2020 - HK\$4.8 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 for the six months ended 30th June, 2021	2.1
(2) Compliance and other services to the Group	2.4

(VIII) SHAREHOLDERS' RIGHT

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

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

During the year ended 31st December, 2021, the Company has not made any changes to its Bye-laws. A consolidated version of the Memorandum of Association and New Bye-laws of the Company is available on the website of the Company.

(IX) DIVIDEND POLICY

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

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2021

	Notes	2021 HK\$'million	2020 HK\$'million
REVENUE	5	4,019.0	1,455.8
Cost of sales		(2,524.2)	(1,052.5)
Gross profit		1,494.8	403.3
Other income and gains, net	5	62.0	95.3
Fair value gains/(losses) on investment properties, net	14	55.4	(153.5)
Fair value gain upon reclassification of a property held for sale to an investment property		63.6	–
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		(128.8)	91.7
Gain on disposal of subsidiaries	40(c)	–	68.9
Impairment of goodwill		(261.0)	–
Impairment loss of items of property, plant and equipment		(11.7)	(50.9)
Impairment loss on right-of-use assets		–	(123.7)
Impairment loss on property under development		(43.1)	–
Impairment loss on properties held for sale		–	(18.6)
Impairment loss on investments in associates		(23.3)	(97.0)
Property selling and marketing expenses		(239.9)	(98.3)
Administrative expenses		(384.2)	(309.0)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION AND AMORTISATION		583.8	(191.8)
Depreciation and amortisation		(675.9)	(661.7)
OPERATING LOSS		(92.1)	(853.5)
Finance costs	7	(363.1)	(403.4)
Share of profits and losses of associates		11.6	4.8
LOSS BEFORE TAX	6	(443.6)	(1,252.1)
Income tax	10	(201.4)	9.3
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		(645.0)	(1,242.8)
Attributable to:			
Equity holders of the parent		(296.8)	(539.7)
Non-controlling interests		(348.2)	(703.1)
		(645.0)	(1,242.8)
LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12	HK(10.93) cents	HK(18.35) cents
Basic and diluted			

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2021

	2021 HK\$'million	2020 HK\$'million
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(645.0)	(1,242.8)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	41.8	137.6
Share of other comprehensive income of an associate	–	0.1
Reclassification adjustments of exchange equalisation reserve upon disposal of a foreign operation	–	71.1
	41.8	208.8
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets designated at fair value through other comprehensive income	(561.8)	(650.3)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	(520.0)	(441.5)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(1,165.0)	(1,684.3)
Attributable to:		
Equity holders of the parent	(556.1)	(770.6)
Non-controlling interests	(608.9)	(913.7)
	(1,165.0)	(1,684.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2021

	Notes	2021 HK\$'million	2020 HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment	13	7,035.0	9,291.2
Investment properties	14	3,209.2	3,357.7
Right-of-use assets	15	16,135.4	13,989.3
Properties under development	16	869.9	867.4
Investments in associates	17	457.1	482.5
Financial assets designated at fair value through other comprehensive income	18	590.5	1,132.4
Financial assets at fair value through profit or loss	19	718.2	848.0
Loans receivable	20	234.3	258.1
Debtors, deposits and prepayments	27	280.7	258.3
Deferred tax assets	35	47.7	50.1
Other assets		0.1	0.1
Goodwill	22	–	261.0
Trademark	23	610.2	610.2
Other intangible assets	24	3.6	0.7
Total non-current assets		30,191.9	31,407.0
CURRENT ASSETS			
Properties under development	16	4,593.3	5,544.4
Properties held for sale	25	5,570.0	5,521.4
Inventories	26	46.3	42.1
Loans receivable	20	13.0	123.1
Finance lease receivables	21	–	6.8
Debtors, deposits and prepayments	27	833.6	758.3
Financial asset at amortised cost	28	15.6	–
Financial assets at fair value through profit or loss	19	365.6	474.0
Derivative financial instruments	34	26.3	–
Tax recoverable		6.6	7.7
Restricted cash	29	171.7	122.2
Pledged time deposits and bank balances		267.7	312.4
Time deposits		1,066.3	260.3
Cash and bank balances		1,713.1	2,666.7
Total current assets		14,689.1	15,839.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 31st December, 2021

	Notes	2021 HK\$'million	2020 HK\$'million
CURRENT LIABILITIES			
Creditors and accruals	30	(1,052.3)	(859.0)
Contract liabilities	31	(1,774.9)	(2,723.4)
Lease liabilities	15	(37.1)	(30.3)
Deposits received		(179.8)	(145.8)
Interest bearing bank borrowings	32	(3,329.5)	(9,527.6)
Other borrowings	33	–	(2,752.7)
Derivative financial instruments	34	–	(17.8)
Tax payable		(286.3)	(108.4)
Total current liabilities		<u>(6,659.9)</u>	<u>(16,165.0)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>8,029.2</u>	<u>(325.6)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>38,221.1</u>	<u>31,081.4</u>
NON-CURRENT LIABILITIES			
Creditors and deposits received		(85.5)	(79.9)
Lease liabilities	15	(34.8)	(36.4)
Interest bearing bank borrowings	32	(16,764.7)	(8,030.7)
Deferred tax liabilities	35	(1,723.6)	(1,843.3)
Total non-current liabilities		<u>(18,608.6)</u>	<u>(9,990.3)</u>
Net assets		<u>19,612.5</u>	<u>21,091.1</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	36	309.4	320.4
Reserves	37	7,669.1	8,261.8
		<u>7,978.5</u>	8,582.2
Perpetual securities	38	1,730.1	1,730.1
Non-controlling interests		<u>9,903.9</u>	<u>10,778.8</u>
Total equity		<u>19,612.5</u>	<u>21,091.1</u>

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2021

	Attributable to equity holders of the parent										Total equity HK\$m	
	Issued capital HK\$m	Share premium account HK\$m	Capital redemption reserve HK\$m	Capital reserve HK\$m	Fair value reserve of financial assets through other comprehensive income at fair value HK\$m	Property revaluation reserve HK\$m	Exchange equalisation reserve HK\$m	Retained profits HK\$m	Total HK\$m	Perpetual securities HK\$m		Non-controlling interests HK\$m
At 1st January, 2020	320.4	1,559.4	4.3	1,735.3	-	3.4	(123.4)	5,506.5	9,005.9	1,732.9	11,090.9	21,829.7
Loss for the year	-	-	-	-	-	-	-	(599.7)	(599.7)	-	(703.1)	(1,242.8)
Other comprehensive income/(loss) for the year:												
Changes in fair value of financial assets designated at fair value through other comprehensive income	-	-	-	-	(316.9)	-	-	-	(316.9)	-	(333.4)	(650.3)
Exchange differences on translating foreign operations	-	-	-	-	-	-	56.5	-	56.5	-	81.1	137.6
Share of other comprehensive income of an associate	-	-	-	-	-	-	0.1	-	0.1	-	-	0.1
Reclassification adjustments of exchange equalisation reserve upon disposal of a foreign operation	-	-	-	-	-	-	29.4	-	29.4	-	41.7	71.1
40(c)	-	-	-	-	-	-	29.4	-	29.4	-	41.7	71.1
Total comprehensive income/(loss) for the year	-	-	-	-	(316.9)	-	86.0	(599.7)	(770.6)	-	(913.7)	(1,684.3)
Acquisition of non-controlling interests in a listed subsidiary	-	-	-	(0.6)	-	-	-	-	(0.6)	-	(0.5)	(1.1)
Disposal of non-controlling interests in a listed subsidiary	-	-	-	559.1	-	-	-	-	559.1	-	650.4	1,209.5
Conversion of convertible bonds and distribution of shares in a listed subsidiary	-	-	-	(142.7)	-	-	-	-	(142.7)	-	142.7	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(0.8)	(0.8)
Acquisition of perpetual securities	-	-	-	-	-	-	-	(2.8)	-	(2.8)	-	(2.8)
Distribution to holders of perpetual securities	-	-	-	-	-	-	-	(46.1)	(46.1)	-	(65.1)	(113.2)
Dividends and distribution to non-controlling interests of listed subsidiaries	-	-	-	-	-	-	-	-	-	-	(125.1)	(125.1)
Final 2019 dividend declared	-	-	-	-	-	-	-	(20.8)	(20.8)	-	-	(20.8)
At 31st December, 2020	320.4	1,559.4	4.3	2,151.1	(316.9)	3.4	(37.4)	4,897.9	8,582.2	1,730.1	10,778.8	21,091.1

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2021

	Notes	2021 HK\$'million	2020 HK\$'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(443.6)	(1,252.1)
Adjustments for:			
Finance costs	7	363.1	403.4
Share of profits and losses of associates		(11.6)	(4.8)
Interest income		(49.3)	(101.0)
Depreciation and amortisation		675.9	661.7
Dividend income		(30.1)	(63.6)
Gain on disposal of subsidiaries		–	(68.9)
Gain on disposal of items of property, plant and equipment, net	6	–	(1.2)
Loss/(Gain) on disposal of investment properties	5	(4.0)	0.7
Fair value gain upon reclassification of a property held for sale to an investment property		(63.6)	–
Fair value losses/(gains) on investment properties, net		(55.4)	153.5
Loss on disposal of unlisted investments included in financial assets at fair value through profit or loss	5	9.8	12.6
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		128.8	(91.7)
Impairment of goodwill		261.0	–
Impairment loss of items of property, plant and equipment		11.7	50.9
Impairment loss on right-of-use assets		–	123.7
Impairment loss on property under development		43.1	–
Impairment loss on properties held for sale		–	18.6
Impairment loss on investments in associates		23.3	97.0
Impairment of trade debtors, net	6	6.4	13.4
Gain on lease modification		(0.4)	(0.3)
Write down of inventories to net realisable value	6	7.5	–
Reversal of impairment of loans receivable	6	(0.3)	(0.1)
		872.3	(48.2)
Additions to properties under development		(658.7)	(684.3)
Decrease in properties held for sale		1,700.3	394.6
Decrease in other assets		–	0.1
Decrease/(Increase) in financial assets at fair value through profit or loss		(5.6)	1,297.3
Increase/(Decrease) in derivative financial instruments		(17.8)	9.3
Decrease/(Increase) in inventories		(26.5)	32.1
Increase in debtors, deposits and prepayments		(263.8)	(152.2)
Receipt from finance leases		6.8	14.4
Decrease/(Increase) in restricted cash		(57.5)	334.0
Increase in pledged time deposits and bank balances		–	(0.6)
Increase/(Decrease) in creditors and accruals		276.1	(48.2)
Increase/(Decrease) in contract liabilities		(1,107.2)	1,241.9
Increase in deposits received		35.2	46.9
Cash generated from operations		753.6	2,437.1
Dividends received		10.1	22.9
Interest received		9.5	57.3
Interest received from finance leases		0.4	3.0
Hong Kong profits tax paid		(20.4)	(114.6)
Overseas tax paid		(25.8)	(84.6)
Net cash flows from operating activities		727.4	2,321.1

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the year ended 31st December, 2021

	Note	2021 HK\$'million	2020 HK\$'million
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of interest in subsidiaries	40(c)	–	390.0
Purchase of financial assets designated at fair value through other comprehensive income		(18.7)	(400.0)
Purchases of financial assets at amortised cost		(127.5)	(93.0)
Purchases of financial assets at fair value through profit or loss		(32.8)	(36.1)
Proceeds from disposal of financial assets at fair value through profit or loss		125.6	14.5
Proceeds from redemption of financial assets at amortised cost		111.9	93.0
Distribution from financial assets at fair value through profit or loss		12.9	51.1
Decrease in loans receivable		134.2	157.9
Additions to investment properties		(4.8)	(12.6)
Proceeds from disposal of investment properties		303.0	84.3
Purchases of items of property, plant and equipment		(553.5)	(909.3)
Proceeds from disposal of items of property, plant and equipment		–	1.2
Additions to other intangible assets		(3.6)	–
Advance to associates		(6.6)	(10.7)
Interest received		49.7	47.5
Dividends received from unlisted investments		40.3	19.7
Decrease/(Increase) in restricted cash		(3.5)	4.3
Decrease in pledged time deposits and bank balances		44.7	45.7
Decrease/(Increase) in time deposit with an original maturity of more than three months		1.2	(11.2)
Net cash flows from/(used in) investing activities		72.5	(563.7)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment on repurchase of shares, including transaction costs attributable to repurchase of shares		(49.4)	–
Drawdown of new bank loans		12,823.7	1,268.3
Repayment of bank loans		(10,194.9)	(1,593.5)
Drawdown of other borrowings		–	50.0
Repayment of other borrowings		(2,763.7)	(6.2)
Interest paid		(361.9)	(493.1)
Payment of loan and other costs		(160.3)	(16.5)
Principal portion of lease payments		(39.8)	(40.8)
Dividends paid		–	(20.8)
Dividends and distribution to non-controlling interests of listed subsidiaries		(99.6)	(125.1)
Distribution to non-controlling interests		–	(0.8)
Acquisition of non-controlling interests in listed subsidiaries		(34.1)	(1.1)
Purchase of perpetual securities		–	(2.8)
Distribution to holders of perpetual securities		(113.4)	(113.2)
Decrease/(Increase) in restricted cash		12.7	(16.8)
Investment deposits received		–	9.0
Net cash flows used in financing activities		(980.7)	(1,103.4)

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the year ended 31st December, 2021

	Note	2021 HK\$'million	2020 HK\$'million
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(180.8)	654.0
Cash and cash equivalents at beginning of year		2,915.8	2,189.8
Effect of foreign exchange rate changes, net		34.4	72.0
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>2,769.4</u>	<u>2,915.8</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalent as stated in the consolidated statement of financial position	40(a)	2,779.4	2,927.0
Non-pledged time deposit with an original maturity of more than three months when acquired	40(a)	(10.0)	(11.2)
Cash and cash equivalents as stated in the consolidated statement of cash flows		<u>2,769.4</u>	<u>2,915.8</u>

NOTES TO FINANCIAL STATEMENTS

31st December, 2021

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management, aircraft ownership and leasing business, and other investments including financial assets investments.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Aikford Financial Services Limited	Hong Kong	HK\$2	100	100	Securities investment
Almighty International Limited	British Virgin Islands	US\$1	100	100	Investment holding
Bonrich Investment Limited	Hong Kong	HK\$2	100	100	Property investment
Century City BVI Holdings Limited	British Virgin Islands	HK\$10	100	100	Investment holding
Century City Finance Limited	Hong Kong	HK\$2	100	100	Financing
Century City Holdings Limited	Hong Kong	HK\$264,488,059	100	100	Investment holding and management services
Century City (Nominees) Limited	Hong Kong	HK\$2	100	100	Nominee services
Century City (Secretaries) Limited	Hong Kong	HK\$2	100	100	Secretarial services
世紀城市(北京)企業 管理有限公司 ⁽ⁱ⁾	The People's Republic of China ("PRC")/ Mainland China	HK\$4,500,000	100	100	Corporate management
Cityline Finance Limited	Hong Kong	HK\$2	100	100	Financing
Cleerview Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Fortunate Star Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Gold Concorde Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding
Meylink Limited	British Virgin Islands	US\$1	100	100	Investment holding
PB Leasing Aircraft No. 24 Limited ^(v)	Gibraltar	GBP2,000	–	100	Aircraft ownership and leasing
Saxonworld Limited	British Virgin Islands	US\$1	100	100	Investment holding
Smartaccord Limited	British Virgin Islands	US\$1	100	100	Investment holding
Splendor Glow Limited	British Virgin Islands	US\$1	100	100	Investment holding
Splendour Corporation	British Virgin Islands	US\$1	100	100	Investment holding
T.M. Nominees Limited	Hong Kong	HK\$2	100	100	Nominee services and investment holding
Treasure Bright Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding
Treasure Pyramid Limited	British Virgin Islands	US\$1	100	100	Investment holding
Zoom Wealth Investments Limited	British Virgin Islands	US\$1	100	100	Aircraft ownership and leasing
Paliburg Holdings Limited ("PHL")	Bermuda/ Hong Kong	Ordinary - HK\$111,458,547	62.3	62.3	Investment holding
303 Technology Limited	Hong Kong	HK\$2	62.3	62.3	Security systems and software design, development and distribution
Bajan Company Limited	Hong Kong	HK\$2	62.3	62.3	Securities investment

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration/ and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Chatwin Engineering Limited	Hong Kong	HK\$16,800,000	62.3	62.3	Building construction
Cosmos Gain Investment Limited	Hong Kong	HK\$2	62.3	62.3	Property development and investment and financing
Farich Investment Limited	Hong Kong	HK\$2	62.3	62.3	Investment holding
Finso Limited	Hong Kong	HK\$2	62.3	62.3	Investment holding
Gain World Investments Limited	British Virgin Islands	US\$1	62.3	62.3	Investment holding
Glaser Holdings Limited	British Virgin Islands	US\$1	62.3	62.3	Investment holding
Glorymark Investments Limited	British Virgin Islands	US\$1	62.3	62.3	Investment holding
Grand Equity Limited	British Virgin Islands	US\$1	62.3	62.3	Investment holding
Guo Yui Investments Limited	British Virgin Islands	US\$1	62.3	62.3	Investment holding
H.P. Nominees Limited	Hong Kong	HK\$2	62.3	62.3	Investment holding, securities investment and nominee services
Hang Fok Properties Limited	British Virgin Islands	US\$100	52.7	52.4	Investment holding
Hilmark Investments Limited	British Virgin Islands	US\$1	62.3	62.3	Investment holding
Jumbo Pearl Investments Limited	British Virgin Islands	US\$1	62.3	62.3	Securities investment
Leading Lighting Technology Limited	Hong Kong	HK\$1	62.3	62.3	Lighting technology 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
			2021	2020	
Leading Technology Holdings Limited	British Virgin Islands	US\$100	62.3	62.3	Investment holding
Linkprofit Limited	Hong Kong	HK\$1,000	62.3	62.3	Investment holding
Paliburg BVI Holdings Limited	British Virgin Islands	HK\$10	62.3	62.3	Investment holding
Paliburg Building Services Limited	Hong Kong	HK\$2	62.3	62.3	Mechanical and electrical engineering services
Paliburg Development BVI Holdings Limited	British Virgin Islands	US\$1	62.3	62.3	Investment holding
Paliburg Development Consultants Limited	Hong Kong	HK\$100,000	62.3	62.3	Property development consultancy
Paliburg Development Finance Limited	Hong Kong	HK\$2	62.3	62.3	Financing
Paliburg Estate Agents Limited	Hong Kong	HK\$20	62.3	62.3	Estate agent
Paliburg Estate Management Limited	Hong Kong	HK\$20	62.3	62.3	Estate management
Paliburg Finance Limited	Hong Kong	HK\$2	62.3	62.3	Financing
Paliburg Investments Limited	Hong Kong	HK\$526,506,860	62.3	62.3	Investment holding and management services
Paliburg Property Development (Shanghai) Co., Ltd. ⁽ⁱ⁾	PRC/ Mainland China	US\$10,000,000	62.3	62.3	Property development and investment
Rich Pearl Limited	Hong Kong	HK\$10,000	62.3	62.3	Financing
Sanefix Development Limited	Hong Kong	HK\$2	62.3	62.3	Property investment

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Shenzhen Leading Technology Co., Ltd. ⁽⁶⁾	PRC/ Mainland China	RMB20,000,000	62.3	62.3	Security systems and software design, development and distribution
Sun Joyous Investments Limited	British Virgin Islands	US\$1	62.3	62.3	Securities investment
Taylor Investments Ltd.	British Virgin Islands	US\$1	62.3	62.3	Investment holding
Transcar Investments Limited	British Virgin Islands	US\$1	62.3	62.3	Investment holding
Wiggans Investments Limited	British Virgin Islands	US\$1	62.3	62.3	Securities investment
Winrise Investments Limited	Hong Kong	HK\$2	62.3	62.3	Securities investment
Yield Star Limited	British Virgin Islands	US\$1	62.3	62.3	Investment holding
Yieldtop Holdings Limited	British Virgin Islands	US\$100	52.7	52.4	Investment holding
昆明中美二戰友誼公園文化傳播有限公司 ⁽⁶⁾	PRC/ Mainland China	RMB5,000,000	54.2	54.2	Project management
Advance Fame Investments Limited	Hong Kong	HK\$1	52.7	52.4	Property development
Alpha Advantage Investments Limited	British Virgin Islands	US\$1	52.7	52.4	Securities investment
Brilliant Enhancement Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
Eminent Gold Investments Limited	Hong Kong	HK\$1	52.7	52.4	Property development
Equal Advantage Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
Estate Legend Investments Limited	Hong Kong	HK\$1	52.7	52.4	Financing
First Prospect Limited	Hong Kong	HK\$1	52.7	52.4	Property investment

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration/ and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Firstway Holdings Limited	Hong Kong	HK\$2	52.7	52.4	Property investment
Fountain Sky Limited	Hong Kong	HK\$2	52.7	52.4	Securities investment
Grace Express Investment Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
Great Select Holdings Limited	British Virgin Islands	US\$1	52.7	52.4	Securities investment
Inspiring Goal Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
Interzone Investments Limited	British Virgin Islands	US\$1	52.7	52.4	Securities investment
Island Wealth Investments Limited	Hong Kong	HK\$1	52.7	52.4	Food and beverage operations
Land Glory Holdings Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
Lead Fortune Development Limited	Hong Kong	HK\$2	52.7	52.4	Food and beverage operations
Leading Group Limited	Hong Kong	HK\$2	52.7	52.4	Food and beverage operations
Lendas Investments Limited	British Virgin Islands	US\$1	52.7	52.4	Securities investment
Lucky Achievement Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
Marvel Best International Limited	Hong Kong	HK\$1	52.7	52.4	Investment holding
Marvel Creator Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
Marvel Sino Holdings Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
Metropolitan Metro Asia (Ma On Shan) Limited	Hong Kong	HK\$1	52.7	52.4	Food and beverage operations
Metropolitan Metro Cafe (Ma On Shan) Limited	Hong Kong	HK\$1	52.7	52.4	Food and beverage operations

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Multiple Achievement Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
New Multi-Profit Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
P&R Finance Limited	Hong Kong	HK\$1	52.7	52.4	Financing and investment holding
P&R Holdings Limited ("P&R Holdings")	British Virgin Islands	US\$100	52.7	52.4	Investment holding
P&R International Treasury Limited	British Virgin Islands	US\$1	52.7	52.4	Financing
P&R Strategic Limited	British Virgin Islands	US\$1	52.7	52.4	Investment holding
Perfect Grand Investment Limited	Hong Kong	HK\$2	52.7	52.4	Food and beverage operations
Prosper Link International Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
Real Charm Investment Limited	Hong Kong	HK\$2	52.7	52.4	Property development and investment
Regala Success Limited	Hong Kong	HK\$100	52.7	41.9	Food and beverage operations
Solarmoon Holdings Limited	British Virgin Islands	US\$1	52.7	100	Investment holding
Star Yield Investments Limited	Hong Kong	HK\$1	52.7	52.4	Property development
Super Residence Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
Treasure Lead Investments Limited	Hong Kong	HK\$1	52.7	52.4	Food and beverage operations
Ultimate Lead Limited	Hong Kong	HK\$1	52.7	52.4	Hotel ownership and operation
Ultra Goal Investments Limited	Hong Kong	HK\$1	52.7	42.5	Retail shops operation
Valuegood International Limited	British Virgin Islands	US\$1	52.7	52.4	Securities investment
Vast Strong Corporation Limited	Hong Kong	HK\$1	52.7	52.4	Property investment

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Well View Investment Limited	Hong Kong	HK\$1	52.7	52.4	Property investment
Winart Investments Limited	British Virgin Islands	US\$1	52.7	52.4	Securities investment
富豪(重慶)股權投資基金合夥企業(有限合夥) ^(iv)	PRC/ Mainland China	RMB250,000,000	–	52.4	Investment holding and management consultancy
成都富譽實業有限公司 ^(iv)	PRC/ Mainland China	RMB250,000,000	52.7	52.4	Investment holding
Cosmopolitan International Holdings Limited (“Cosmopolitan”)	Cayman Islands/ Hong Kong	Ordinary -	38.1	36.4	Investment holding
		HK\$12,784,996 Preference - HK\$4,590,976	52.7	52.4	
Apex Team Limited	Hong Kong	HK\$1	42.0	40.9	Financing
Bizwise Investments Limited	British Virgin Islands	US\$1	42.0	40.9	Financing
Cosmopolitan International Finance Limited	Hong Kong	HK\$1	42.0	40.9	Financing and financial assets investment
Cosmopolitan International Management Services Limited	Hong Kong	HK\$1	42.0	40.9	Management services
Evercharm Investments Limited	British Virgin Islands	US\$1	42.0	40.9	Financial assets investment
新疆麗寶生態開發有限公司 ⁽ⁱ⁾	PRC/ Mainland China	US\$16,800,000	42.0	40.9	Property development
成都富博房地產開發有限公司 ⁽ⁱ⁾	PRC/ Mainland China	HK\$100,000,000	42.0	40.9	Property development
天津市富都房地產開發有限公司 ⁽ⁱ⁾	PRC/ Mainland China	RMB350,000,000	42.0	40.9	Property development
置富投資開發(成都)有限公司 ⁽ⁱ⁾	PRC/ Mainland China	HK\$121,000,960	42.0	40.9	Property development
富宏(深圳)貿易有限公司 ⁽ⁱ⁾	PRC/ Mainland China	RMB10,000,000	42.0	40.9	Development consultancy
Regal Hotels International Holdings Limited (“RHIHL”)	Bermuda/ Hong Kong	Ordinary - HK\$89,878,233	43.1	42.5	Investment holding

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Alpha Season Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Ascent Human Resources Holdings Limited	Hong Kong	HK\$2	43.1	42.5	Provision of housekeeping services and investment holding
Ascent Property Services Limited	Hong Kong	HK\$1	43.1	42.5	Provision of security and guarding services
Camomile Investments Limited	Hong Kong	HK\$2	43.1	42.5	Property investment
Capital Charm Holdings Limited	Hong Kong	HK\$1	43.1	42.5	Hotel ownership and operation
Cheerview Limited	Hong Kong	HK\$1	43.1	42.5	Food and beverage operations
Chest Gain Development Limited	Hong Kong	HK\$10,000	43.1	42.5	Investment holding
Come On Investment Company Limited	Hong Kong	HK\$10,000	43.1	42.5	Securities trading and investment
Complete Success Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Eminent Idea Holdings Limited ^(vi)	Hong Kong	HK\$1	–	42.5	Property investment
Eminent Result Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Favour Link International Limited	Hong Kong	HK\$1	43.1	42.5	Hotel operations
Favourite Stock Limited	British Virgin Islands	US\$1	43.1	42.5	Securities investment
Forever Venus Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Fortune Build Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Fortune Trove Limited	Hong Kong	HK\$1	43.1	42.5	Property investment
Frequentspirit Investimentos Imobiliários Lda.	Portugal	EUR100	43.1	38.3	Property development
Full Season International Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Gain Union Limited	Hong Kong	HK\$1	43.1	42.5	Property development
Gallant Glory Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Gaud Limited	Hong Kong	HK\$2	43.1	42.5	Securities trading and investment
Gestiones E Inversiones Cosmoland, S.L.	Spain	EUR3,000	43.1	42.5	Hotel ownership
Golden Vessel Investments Limited	Hong Kong	HK\$1	43.1	42.5	Property investment
Grand Pyramid Limited ^(vi)	Hong Kong	HK\$1	–	42.5	Property investment
Great Prestige Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Greatlead Investments Limited	Hong Kong	HK\$1	43.1	42.5	Property investment
Harvest Charm Investment Limited	Hong Kong	HK\$2	43.1	42.5	Financing
Hill Treasure Limited	British Virgin Islands	US\$1	43.1	42.5	Aircraft ownership and leasing
Honormate Nominees Limited	Hong Kong	HK\$2	43.1	42.5	Securities investment and nominee services
Honrich Investment Limited	Hong Kong	HK\$2	43.1	42.5	Financing
Impressive Galaxy Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Intellect Aquarius Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Kaybro Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Long Profits Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Financing
Loraine Developments, S.L.	Spain	EUR3,000	43.1	42.5	Hotel ownership
Maximum Good Limited	Hong Kong	HK\$1	43.1	42.5	Property investment
Metropolitan Central Kitchen Limited	Hong Kong	HK\$1	43.1	42.5	Sale of food products
Metropolitan F&B Management Limited	Hong Kong	HK\$1	43.1	42.5	Provision of management services for food and beverage operations
Million Sharp International Limited	Hong Kong	HK\$1	43.1	42.5	Property investment
Navigation Force Limited	British Virgin Islands	US\$1	43.1	42.5	Aircraft ownership and leasing
New Blossom International Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Rainbow Petal Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Regal Concord Limited	Hong Kong	HK\$1	43.1	42.5	Investment holding and financing

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Regal Contracting Agency Limited	Hong Kong	HK\$1	43.1	42.5	Contracting agency
Regal Estate Agents Limited	Hong Kong	HK\$2	43.1	42.5	Estate agency
Regal Estate Management Limited	Hong Kong	HK\$2	43.1	42.5	Estate management
Regal F&B Management Limited	Hong Kong	HK\$1	43.1	42.5	Provision of management services for food and beverage operations
Regal Hotels (Holdings) Limited	Hong Kong	HK\$1,151,598,638	43.1	42.5	Investment holding and management services
Regal Hotels Company Limited	Hong Kong	HK\$2	43.1	42.5	Investment holding
Regal Hotels International Limited	Hong Kong	HK\$100,000	43.1	42.5	Hotel management and investment holding
Regal Hotels Management (BVI) Limited	British Virgin Islands/ Mainland China	US\$1	43.1	42.5	Investment holding and hotel management
Regal International Limited	British Virgin Islands	US\$20	43.1	42.5	Investment and trademark holding

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Regal International (BVI) Holdings Limited	British Virgin Islands	HK\$10.1	43.1	42.5	Investment holding
Regal Portfolio Management Limited	Hong Kong	HK\$11,611,937	43.1	42.5	Asset management
RH International Finance Limited	British Virgin Islands/ Hong Kong	US\$1	43.1	42.5	Financing
R.H.I. Licensing B.V.	The Netherlands	NLG40,000	43.1	42.5	Trademark holding
Rich Capital Investment Limited	Hong Kong	HK\$100	43.1	42.5	Property development
Solution Key Investments Limited ^(vi)	Hong Kong	HK\$1	–	42.5	Property investment
Success Path Investments Limited	Hong Kong	HK\$1	43.1	42.5	Property investment
Tenshine Limited	Hong Kong	HK\$2	43.1	42.5	Securities trading and investment and financing
Time Crest Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Securities investment
Total Blessing Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Total Wisdom Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Treasure Dealer Limited	Hong Kong	HK\$1	43.1	42.5	Property investment
Treasure Wagon Company Limited	Hong Kong	HK\$2	43.1	42.5	Operation of security storage lounge
Triumphant Sky Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Aircraft ownership and leasing

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Unicorn Star Limited	British Virgin Islands	US\$1	43.1	42.5	Securities investment
Unique Sky Holdings Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Vast Charm International Limited	Hong Kong	HK\$1	43.1	42.5	Property investment
Vivid Merit Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Waterman House Investments Limited	England and Wales	GBP300	43.1	42.5	Property investment
Wealth Virtue Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Wealthy Path Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Wealthy Smart Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Well Mount Investments Limited	British Virgin Islands	US\$1	43.1	42.5	Securities investment
Wing Bright Holdings Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
Will Smart Investments Limited	Hong Kong	HK\$1	43.1	42.5	Property investment
Wise Ahead Holdings Limited	British Virgin Islands	US\$1	43.1	42.5	Investment holding
廣州市富堡訂房服務有限公司 ⁽ⁱ⁾	PRC/ Mainland China	RMB100,000	43.1	42.5	Room reservation services
富豪酒店投資管理(上海)有限公司 ⁽ⁱ⁾	PRC/ Mainland China	US\$140,000	43.1	42.5	Hotel management
深圳市豪家匯企業諮詢有限公司 ⁽ⁱ⁾	PRC/ Mainland China	RMB1,000,000	43.1	42.5	Investment holding

NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Regal Real Estate Investment Trust ("Regal REIT")	Hong Kong	3,257,431,189 units	32.9	31.8	Property investment
Bauhinia Hotels Limited	Hong Kong	HK\$2	32.9	31.8	Hotel ownership
Cityability Limited	Hong Kong	HK\$10,000	32.9	31.8	Hotel ownership
Gala Hotels Limited	Hong Kong	HK\$2	32.9	31.8	Hotel ownership
Land Crown International Limited	Hong Kong	HK\$1	32.9	31.8	Hotel ownership
Regal Asset Holdings Limited	Bermuda/ Hong Kong	US\$12,000	32.9	31.8	Investment holding
Regal Riverside Hotel Limited	Hong Kong	HK\$2	32.9	31.8	Hotel ownership
Rich Day Investments Limited	Hong Kong	HK\$1	32.9	31.8	Financing
Ricobem Limited	Hong Kong	HK\$100,000	32.9	31.8	Hotel ownership
Sonnix Limited	Hong Kong	HK\$2	32.9	31.8	Property ownership and hotel operation
R-REIT International Finance Limited	British Virgin Islands	US\$1	32.9	31.8	Financing
Tristan Limited	Hong Kong	HK\$20	32.9	31.8	Hotel ownership
Wise Decade Investments Limited	Hong Kong	HK\$1	32.9	31.8	Hotel ownership

Notes:

- (i) These subsidiaries are registered as wholly foreign owned enterprises under PRC law.
- (ii) This subsidiary is registered as a domestic enterprise under PRC law.
- (iii) This was a fund registered as a limited partnership under PRC partnership law and was deregistered during the year.
- (iv) This subsidiary is registered as a foreign owned enterprise under PRC law.
- (v) This subsidiary was struck off during the year.
- (vi) These subsidiaries were disposed of during the year.

Except for Century City BVI Holdings Limited, all of the above subsidiaries are indirectly held by the Company.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss, financial assets designated at fair value through other comprehensive income 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\$296.8 million (2020 – HK\$539.7 million) for the year ended 31st December, 2021 and net current assets of HK\$8,029.2 million (2020 – net current liabilities of HK\$325.6 million) and net assets of HK\$19,612.5 million (2020 – HK\$21,091.1 million) as at 31st December, 2021. The Group also had non-pledged time deposits and cash and bank balances of HK\$2,779.4 million as at 31st December, 2021 (2020 – HK\$2,927.0 million) and a positive net cash flows from operating activities of HK\$727.4 million (2020 – HK\$2,321.1 million) for the year ended 31st December, 2021.

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

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

Basis of consolidation

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

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021¹</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{3, 6}</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information³</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{3, 5}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies³</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates³</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction³</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

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

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

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

⁴ No mandatory effective date yet determined but available for adoption

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

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

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

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable 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

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

The Group's investments in associates 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 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, 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 are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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

(c) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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 recognises in relation to its interests in joint operations:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operations;
- its share of the revenue from the sale of the output by the joint operations; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interests in joint operations are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

(d) 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.

(e) Impairment of non-financial assets

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

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

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill 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/amortisation) 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.

(f) Investment properties

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

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

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

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. 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 the policy stated under "Property, plant and equipment and depreciation" below. 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) 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. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. 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 lower of cost or net realisable value in accordance with the Group's policy "properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value in accordance with the Group's policy for "investment properties".

(ii) Lease liabilities

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

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

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

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

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

Group as a lessor

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee, are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

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.

(h) Borrowing costs

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

Where funds are borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging from 2.8% to 4.3% has been applied to the expenditure on the individual assets.

(i) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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

The Group's intangible assets represent (i) passenger service licences with indefinite useful lives; (ii) trademark with indefinite useful life; and (iii) other licences.

Passenger service licences are stated at cost less any impairment losses. They 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 flow for the Group.

Trademark is regarded to have indefinite useful life as there is no foreseeable limit to the period over which it is expected to generate cash flows for the Group.

Other licences are stated at cost less accumulated amortisation and any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 2 years.

(j) 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, as appropriate.

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

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

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

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

(k) Impairment of financial assets

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

General approach

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

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

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade debtors and contract assets 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 and contract assets 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.

(l) 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.

(m) Financial liabilities*Initial recognition and measurement*

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest bearing loans and borrowings 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 ECL 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.

(n) 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.

(o) 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.

(p) Derivative financial instruments

Initial recognition and subsequent measurement

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

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

Current versus non-current classification

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

(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) 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.

(s) Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

(t) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

(u) Revenue recognition*Revenue from contracts with customers*

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

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

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

(i) 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.

Some 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 component.

(ii) Sale of aircraft

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

(iii) 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 points programmes

The Group's hotel operation segment operates loyalty points 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 points programmes give rise to a separate performance obligation because they provide a material right to the customers. Contract liabilities are recognised on the loyalty points programmes.

(iv) Construction services

Revenue from the 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.

(v) Estate management service

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

(vi) 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 and retail shop operations is recognised at the point in time when the control of the food and beverage and other items is transferred to the customer, generally upon purchase of the food and beverage and other 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 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.

(v) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

(w) 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., transfer control of the related goods or services to the customer).

(x) Contract costs

Other than the costs which are capitalised as properties held for sale and properties under development, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

(y) Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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 and associates are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transaction for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

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

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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, 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.

(aa) Employee benefits

Staff retirement schemes

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the 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.

(ab) 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 of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(ac) Cash and cash equivalents

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

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

(ad) 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.

(ae) 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 recognised in the statement of profit or loss.

(af) Perpetual securities

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

(ag) 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.

(ah) Government grants

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Judgements

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

Property lease classification - Group as lessor

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

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

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

Classification between investment properties and owner-occupied properties

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

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in non-current and current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment properties under construction included in investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction and completed, are subject to revaluation at the end of each reporting period.

Income taxes

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

(b) Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount (before impairment) of goodwill at 31st December, 2021 was HK\$261.0 million (2020 - HK\$261.0 million). Further details are given in note 22 to the financial statements.

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., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, 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 a customer's actual default in the future. The information about the ECLs on the Group's trade debtors is disclosed in note 27 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).

Impairment of non-financial assets (other than goodwill)

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. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other 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.

Estimation of net realisable values of properties under development and held for sale

The Group performs regular review of the carrying amounts of properties under development and held for sale with reference to prevailing market data such as most recent sale transactions and internal estimates such as future selling prices and costs to completion of properties.

Based on this review, write-down of properties will be made when the estimated net realisable value declines below their carrying amounts. Due to changes in market and economic conditions, management's estimates may be adjusted.

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 dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31st December, 2021 was HK\$3,209.2 million (2020 - HK\$3,357.7 million). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the 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 are disclosed in note 35 to the financial statements.

Allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to properties held for sale upon completion. An apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sales of properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Estimation of useful life of trademark

The Group assesses the useful life of the trademark to be indefinite. This determination requires the Group to make assumptions and estimates of the expected future cash flows of the hotel group to which the trademark relates and the ability to renew the legal right of the trademark at insignificant cost indefinitely. The Group assesses the useful life of the trademark annually to determine whether events or circumstances continue to support the indefinite useful life of the trademark.

Depreciation of property, plant and equipment – aircraft

Aircraft are depreciated on the straight-line basis at rates which are calculated to write down their costs to their estimated residual values at the end of their operational lives. Certain estimates regarding the operational lives and residual values of the aircraft are made by the Group based on industry practice and internal technical valuation. The operational lives and residual values are reviewed at least on an annual basis. The carrying amount of the Group's aircraft at 31st December, 2021 was HK\$327.3 million (2020 - HK\$345.1 million). Further details are given in note 13 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has seven reportable operating segments as follows:

- (a) the property development and investment segment comprises the development and sale of properties, the leasing of properties and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) 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;
- (d) the asset management segment engages in the provision of asset management services to Regal REIT;
- (e) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;
- (f) the aircraft ownership and leasing segment* engages in the aircraft ownership and leasing for rental and interest income; and
- (g) the others segment mainly comprises the provision of financing services, sale of food products, operation and management of restaurants, operation of security storage lounge and retail shops, the provision of housekeeping and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(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 borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

* The Group owns a Boeing B737-800F freight aircraft on finance lease to a logistics operator with return yield of 17.4%. The freighter aircraft was sold to the operator lessee upon expiry of the finance lease in June 2021. In addition, RHIHL and its subsidiaries (the "RHIHL Group") owns a fleet of 3 passenger aircraft comprising two Airbus A320-232 and one Airbus A319-133 with a net carrying amount of HK\$327.3 million and average lease rental yield from 8.6% to 8.9%.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2021 and 2020:

	Property development and investment		Construction and building related businesses		Hotel operation and hotel ownership and management		Asset management		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment revenue (note 5)																		
Sales to external customers	2,987.0	728.5	11.3	10.2	902.1	668.9	-	-	31.4	(24.4)	28.0	39.4	59.2	33.2	-	-	4,019.0	1,455.8
Intersegment sales	8.4	9.8	23.8	38.4	4.4	4.5	86.1	93.9	-	-	-	-	120.1	71.7	(242.8)	(218.3)	-	-
Total	2,995.4	738.3	35.1	48.6	906.5	673.4	86.1	93.9	31.4	(24.4)	28.0	39.4	179.3	104.9	(242.8)	(218.3)	4,019.0	1,455.8
Segment results before depreciation and amortisation	737.3	3.7	(1.9)	(1.2)	51.4	(296.3)	(13.5)	(11.6)	(88.7)	88.7	(1.4)	(2.4)	8.4	17.1	-	-	691.6	(202.0)
Depreciation and amortisation	(14.5)	(15.5)	(0.2)	(0.4)	(613.9)	(591.6)	-	(0.4)	-	-	(8.0)	(11.8)	(13.4)	(13.6)	-	-	(650.0)	(633.3)
Segment results	722.8	(11.8)	(2.1)	(1.6)	(562.5)	(887.9)	(13.5)	(12.0)	(88.7)	88.7	(9.4)	(14.2)	(5.0)	3.5	-	-	41.6	(835.3)
Unallocated interest income and unallocated non-operating and corporate gains																	34.5	115.5
Unallocated non-operating and corporate expenses																	(169.9)	(135.9)
Finance costs (other than interest on lease liabilities)																	(361.4)	(401.2)
Share of profits and losses of associates	21.1	19.7	-	-	(9.5)	(14.6)	-	-	-	-	-	-	-	(0.3)	-	-	11.6	4.8
Loss before tax																	(443.6)	(1,252.1)
Income tax																	(201.4)	9.3
Loss for the year before allocation between equity holders of the parent and non-controlling interests																	(645.0)	(1,242.8)
Attributable to:																		
Equity holders of the parent																	(296.8)	(539.7)
Non-controlling interests																	(348.2)	(703.1)
																	(645.0)	(1,242.8)

NOTES TO FINANCIAL STATEMENTS (Cont'd)

	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Asset management		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2021 HKS'm	2020 HKS'm	2021 HKS'm	2020 HKS'm	2021 HKS'm	2020 HKS'm	2021 HKS'm	2020 HKS'm	2021 HKS'm	2020 HKS'm	2021 HKS'm	2020 HKS'm	2021 HKS'm	2020 HKS'm	2021 HKS'm	2020 HKS'm	2021 HKS'm	2020 HKS'm
Segment assets	15,486.1	16,688.1	22.5	17.3	23,273.1	23,321.7	30.0	31.3	1,686.7	2,487.7	330.5	356.2	279.6	307.3	(32.2)	41,079.2	43,177.4	
Investments in associates	1.9	1.2	-	-	447.6	472.2	-	-	-	-	-	-	7.6	9.1	-	457.1	482.5	
Cash and unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,344.7	3,586.5	
Total assets	(2,469.3)	(3,369.0)	(32.7)	(13.6)	(524.2)	(296.3)	(1.5)	(1.0)	(0.4)	(39.3)	(66.2)	(65.5)	(21.8)	(13.4)	29.3	44,881.0	47,246.4	
Segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest bearing bank borrowings and unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,181.7)	(22,389.4)	
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25,268.5)	(26,155.3)	
Other segment information:																		
Capital expenditure	585.5	777.6	0.3	-	509.4	855.4	-	-	-	-	-	-	6.7	6.4	-	1,101.9	1,639.4	
Loss/(Gain) on disposal of investment properties	(4.0)	0.7	-	-	-	-	-	-	-	-	-	-	-	-	-	(4.0)	0.7	
Reversal of impairment of loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	(0.3)	(0.1)	-	(0.3)	(0.1)	
Impairment loss on goodwill	261.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	261.0	-	
Impairment loss of items of property, plant and equipment	-	-	-	-	20.9	-	-	-	-	-	11.7	30.0	-	-	-	11.7	50.9	
Impairment loss on right-of-use assets	-	-	-	-	-	123.7	-	-	-	-	-	-	-	-	-	-	123.7	
Impairment loss on property under development	43.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43.1	-	
Impairment loss on properties held for sale	-	18.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18.6	
Impairment loss on investments in associates	-	-	-	-	21.7	97.0	-	-	-	-	-	-	1.6	-	-	23.3	97.0	
Impairment of trade debtors	0.7	-	-	-	2.1	8.2	-	-	-	-	3.8	7.2	-	-	-	6.6	15.4	
Write-back of impairment of trade debtors	-	-	-	-	-	-	-	-	-	-	-	-	(0.2)	(2.0)	-	(0.2)	(2.0)	
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	-	-	-	-	-	-	-	-	128.8	(91.7)	-	-	-	-	-	128.8	(91.7)	
Fair value losses/(gains) on investment properties, net	(45.0)	107.6	-	-	(10.4)	45.9	-	-	-	-	-	-	-	-	-	(55.4)	153.5	
Fair value gain upon reclassification of a property held for sale to an investment property	(63.6)	(0.3)	-	-	-	-	-	-	-	(9.1)	(43.0)	(3.0)	(9.4)	(9.0)	-	(63.6)	(19.2)	
Interest income	-	(1.4)	-	-	-	-	-	-	-	-	(0.4)	(3.0)	(9.4)	(9.0)	-	(19.2)	(56.4)	

Geographical information

(a) Revenue from external customers

	2021 HK\$'million	2020 HK\$'million
Hong Kong	2,392.5	1,344.3
Mainland China	1,592.0	70.9
Other	34.5	40.6
	<u>4,019.0</u>	<u>1,455.8</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

	2021 HK\$'million	2020 HK\$'million
Hong Kong	27,517.4	27,778.2
Mainland China	244.6	483.4
Other	692.2	712.7
	<u>28,454.2</u>	<u>28,974.3</u>

The non-current assets information above is based on the locations of 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:

	2021 HK\$'million	2020 HK\$'million
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Proceeds from sale of properties	2,941.4	682.8
Hotel operations and management services	838.8	607.6
Construction and construction-related income	3.6	3.4
Estate management fees	7.7	6.8
Other operations	58.2	32.3
	<hr/>	<hr/>
	3,849.7	1,332.9
 <i>Revenue from other sources</i>		
Rental income:		
Hotel properties	52.8	56.8
Investment properties	54.7	48.9
Aircraft	27.6	36.4
Others	1.4	1.3
Net gain/(loss) from sale of financial assets at fair value through profit or loss	14.5	(89.2)
Net gain/(loss) on settlement of derivative financial instruments	(1.9)	0.5
Interest income from financial assets at fair value through profit or loss	8.7	41.4
Interest income from loans receivable	0.1	–
Interest income from finance leases	0.4	3.0
Dividend income	10.1	22.9
Other operations	0.9	0.9
	<hr/>	<hr/>
	4,019.0	1,455.8
	<hr/> <hr/>	<hr/> <hr/>

Revenue from contracts with customers

(i) Disaggregated revenue information

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

For the year ended 31st December, 2021					
Segments	Property development and investment HK\$' million	Construction and building related businesses HK\$' million	Hotel operation and management and hotel ownership HK\$' million	Others HK\$' million	Total HK\$' million
Types of goods or services					
Construction and construction-related income	-	3.6	-	-	3.6
Sale of properties	2,941.4	-	-	-	2,941.4
Estate management fees	-	7.7	-	-	7.7
Hotel operations and management services					
Hotel operations	-	-	833.9	-	833.9
Management services	-	-	4.9	-	4.9
Other operations	-	-	-	58.2	58.2
Total revenue from contracts with customers	<u>2,941.4</u>	<u>11.3</u>	<u>838.8</u>	<u>58.2</u>	<u>3,849.7</u>
Geographical markets					
Hong Kong	1,355.5	11.3	834.5	58.2	2,259.5
Mainland China	1,585.9	-	4.3	-	1,590.2
Total revenue from contracts with customers	<u>2,941.4</u>	<u>11.3</u>	<u>838.8</u>	<u>58.2</u>	<u>3,849.7</u>
Timing of revenue recognition					
At a point in time	2,941.4	0.3	251.7	15.7	3,209.1
Over time	-	11.0	587.1	42.5	640.6
Total revenue from contracts with customers	<u>2,941.4</u>	<u>11.3</u>	<u>838.8</u>	<u>58.2</u>	<u>3,849.7</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2020

Segments	Property development and investment HK\$' million	Construction and building related businesses HK\$' million	Hotel operation and management and hotel ownership HK\$' million	Others HK\$' million	Total HK\$' million
Types of goods or services					
Construction and construction-related income	–	3.4	–	–	3.4
Sale of properties	682.8	–	–	–	682.8
Estate management fees	–	6.8	–	–	6.8
Hotel operations and management services					
Hotel operations	–	–	602.9	–	602.9
Management services	–	–	4.7	–	4.7
Other operations	–	–	–	32.3	32.3
Total revenue from contracts with customers	<u>682.8</u>	<u>10.2</u>	<u>607.6</u>	<u>32.3</u>	<u>1,332.9</u>
Geographical markets					
Hong Kong	618.3	10.2	602.9	32.3	1,263.7
Mainland China	64.5	–	4.7	–	69.2
Total revenue from contracts with customers	<u>682.8</u>	<u>10.2</u>	<u>607.6</u>	<u>32.3</u>	<u>1,332.9</u>
Timing of revenue recognition					
At a point in time	682.8	0.4	169.3	10.8	863.3
Over time	–	9.8	438.3	21.5	469.6
Total revenue from contracts with customers	<u>682.8</u>	<u>10.2</u>	<u>607.6</u>	<u>32.3</u>	<u>1,332.9</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, 2021					
Segments	Property development and investment HK\$' million	Construction and building related businesses HK\$' million	Hotel operation and management and hotel ownership HK\$' million	Others HK\$' million	Total HK\$' million
Revenue from contracts with customers					
External customers	2,941.4	11.3	838.8	58.2	3,849.7
Intersegment sales	2.1	23.8	–	120.1	146.0
	2,943.5	35.1	838.8	178.3	3,995.7
Intersegment adjustments and eliminations	(2.1)	(23.8)	–	(120.1)	(146.0)
Total revenue from contracts with customers	<u>2,941.4</u>	<u>11.3</u>	<u>838.8</u>	<u>58.2</u>	<u>3,849.7</u>

For the year ended 31st December, 2020					
Segments	Property development and investment HK\$' million	Construction and building related businesses HK\$' million	Hotel operation and management and hotel ownership HK\$' million	Others HK\$' million	Total HK\$' million
Revenue from contracts with customers					
External customers	682.8	10.2	607.6	32.3	1,332.9
Intersegment sales	2.3	38.4	–	71.7	112.4
	685.1	48.6	607.6	104.0	1,445.3
Intersegment adjustments and eliminations	(2.3)	(38.4)	–	(71.7)	(112.4)
Total revenue from contracts with customers	<u>682.8</u>	<u>10.2</u>	<u>607.6</u>	<u>32.3</u>	<u>1,332.9</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

	2021 HK\$' million	2020 HK\$' million
Sale of properties	1,495.7	45.9
Hotel operations and management services	57.1	43.8
Leasing of properties	1.3	–
Construction services	2.5	4.7
	<u>1,556.6</u>	<u>94.4</u>

(ii) Performance obligations

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

Sale of properties

The performance obligation is satisfied when the physical possession of the legal title of the completed property is obtained by the purchaser. Customers generally paid deposit during pre-sale. The transaction prices were adjusted to reflect the effects of the time value of money and the significant benefit of financing.

Sale of aircraft

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

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.

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.

Estate management services

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

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 and retail shop operations

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

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.

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

	2021 HK\$'million	2020 HK\$'million
Amounts expected to be recognised as revenue:		
Within one year	2,564.7	3,537.6
After one year	698.5	1,041.2
	<u>3,263.2</u>	<u>4,578.8</u>
<u>Other income and gains, net</u>		
Bank interest income	17.1	36.5
Other interest income	23.0	20.1
Dividend income from unlisted investments	20.0	40.7
Gain/(Loss) on disposal of investment properties	4.0	(0.7)
Loss on settlement of derivative financial instruments	–	(0.1)
Loss on disposal of unlisted investments included in financial assets at fair value through profit or loss	(9.8)	(12.6)
Others	7.7	11.4
	<u>62.0</u>	<u>95.3</u>

6. LOSS BEFORE TAX

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

	2021 HK\$'million	2020 HK\$'million
Cost of inventories sold and services provided	2,524.2	1,052.5
Depreciation of property, plant and equipment	349.5	334.2
Depreciation of right-of-use assets	325.7	326.1
Amortisation of intangible asset	0.7	1.4
	<u>675.9</u>	<u>661.7</u>
Employee benefit expense* (exclusive of Directors' remuneration disclosed in note 8):		
Salaries, wages and allowances	577.5	433.0
Staff retirement scheme contributions	29.8	26.9
Less: Forfeited contributions	<u>(0.8)</u>	<u>(3.1)</u>
	606.5	456.8
Less: Staff costs capitalised in respect of property development projects and construction contracts:		
Salaries, wages and allowances	(44.3)	(38.6)
Staff retirement scheme contributions	<u>(3.1)</u>	<u>(2.3)</u>
	<u>559.1</u>	<u>415.9</u>

* Inclusive of an amount of HK\$377.1 million (2020 - HK\$268.0 million) classified under the cost of inventories sold and services provided.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

	2021 HK\$'million	2020 HK\$'million
Auditor's remuneration	12.4	13.0
Impairment of trade debtors, net	6.4	13.4
Reversal of impairment of loans receivable	(0.3)	(0.1)
Lease payments not included in the measurement of lease liabilities	5.4	2.6
Write-down of inventories to net realisable value	7.5	–
Gain on disposal of items of property, plant and equipment, net	–	(1.2)
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
– mandatorily classified as such, including those held for trading	155.1	(103.3)
– derivative instruments – transactions not qualifying as hedges	(26.3)	11.6
	<u>128.8</u>	<u>(91.7)</u>
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	34.2	29.5
Foreign exchange differences, net	2.5	(22.7)
Government subsidies [#] (included in other income and gains, net, cost of sales and administrative expenses)	<u>(11.2)</u>	<u>(117.1)</u>

[#] The Government subsidies were granted under the Anti-epidemic Fund during the current and prior years. There are no unfulfilled conditions relating to these grants.

7. FINANCE COSTS

	2021 HK\$'million	2020 HK\$'million
Interest on bank loans	262.9	375.6
Interest on other borrowings	59.0	107.1
Interest expenses arising from revenue contracts	111.9	86.5
Interest on lease liabilities	1.7	2.2
Amortisation of debt establishment costs	64.1	44.1
	<hr/>	<hr/>
Total interest expenses on financial liabilities not at fair value through profit or loss	499.6	615.5
Other loan costs	8.9	9.1
	<hr/>	<hr/>
	508.5	624.6
Less: Finance costs capitalised	(145.4)	(221.2)
	<hr/>	<hr/>
	363.1	403.4
	<hr/> <hr/>	<hr/> <hr/>

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 HK\$'million	2020 HK\$'million
Fees	7.0	7.0
Other emoluments:		
Salaries, allowances and benefits in kind	33.2	31.1
Performance related/discretionary bonuses	2.1	–
Staff retirement scheme contributions	2.5	2.2
	<hr/>	<hr/>
	44.8	40.3
	<hr/> <hr/>	<hr/> <hr/>

(a) Independent non-executive directors

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

	2021 HK\$'million	2020 HK\$'million
Mr. Anthony Chuang	0.35	0.35
Ms. Winnie Ng, JP	1.10	1.10
Mr. Wong Chi Keung	1.15	1.15
	2.60	2.60

- For the year ended 31st December, 2021, Directors' fees entitled by the independent non-executive directors of the Company also included a fee for serving as members 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, amounted to HK\$2.60 million (2020 - HK\$2.60 million, which also included fees for serving as members of the Board Committees).
- The fees paid to Ms. Winnie Ng for the year ended 31st December, 2021 also included a fee for serving as (i) an independent non-executive director as well as a member of each of the audit committee, the nomination committee and the remuneration committee of PHL; and (ii) an independent non-executive director as well as a member of each of the audit committee, the nomination committee and the remuneration committee of RHIHL amounted to HK\$0.70 million (2020 - HK\$0.70 million).
- The fees paid to Mr. Wong Chi Keung for the year ended 31st December, 2021 also included a fee for serving as (i) an independent non-executive director, the chairman of the audit committee as well as a member of each of the nomination committee and the remuneration committee of PHL; and (ii) an independent non-executive director, the chairman of the audit committee as well as a member of each of the nomination committee and the remuneration committee of RHIHL amounted to HK\$0.80 million (2020 - HK\$0.80 million).

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

NOTES TO FINANCIAL STATEMENTS (Cont'd)

(b) Executive directors

	Fees HK\$'million (Notes)	Salaries, allowances and benefits in kind HK\$'million	Performance related/ discretionary bonuses HK\$'million	Staff retirement scheme contributions HK\$'million	Total remuneration HK\$'million
2021					
Mr. Lo Yuk Sui	1.15	14.21	0.90	1.08	17.34
Mr. Jimmy Lo Chun To	0.75	5.50	0.24	0.28	6.77
Miss Lo Po Man	0.75	5.26	0.24	0.28	6.53
Mr. Kenneth Ng Kwai Kai	0.85	3.15	0.26	0.31	4.57
Mr. Donald Fan Tung	0.60	2.90	0.26	0.29	4.05
Mr. Kelvin Leung So Po	0.30	2.23	0.19	0.22	2.94
	<u>4.40</u>	<u>33.25</u>	<u>2.09</u>	<u>2.46</u>	<u>42.20</u>
2020					
Mr. Lo Yuk Sui	1.15	13.37	–	0.96	15.48
Mr. Jimmy Lo Chun To	0.75	5.19	–	0.26	6.20
Miss Lo Po Man	0.75	4.95	–	0.26	5.96
Mr. Kenneth Ng Kwai Kai	0.85	2.83	–	0.26	3.94
Mr. Donald Fan Tung	0.60	2.62	–	0.26	3.48
Mr. Kelvin Leung So Po	0.30	2.10	–	0.21	2.61
	<u>4.40</u>	<u>31.06</u>	<u>–</u>	<u>2.21</u>	<u>37.67</u>

Notes:

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

- Mr. Lo Yuk Sui also included (i) a fee of HK\$0.05 million per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company; (ii) a fee of HK\$0.15 million per annum for serving as an executive director of PHL and 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 PHL; (iii) a fee of HK\$0.15 million per annum for serving as an executive director of RHIHL and 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 RHIHL; (iv) a fee of HK\$0.15 million per annum for serving as an executive director of Cosmopolitan and 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 Cosmopolitan; and (v) 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).

- Mr. Jimmy Lo Chun To and Miss Lo Po Man also included (i) a fee of HK\$0.15 million per annum entitled by each of these Directors for serving as an executive director of PHL; (ii) a fee of HK\$0.15 million per annum entitled by each of these Directors for serving as an executive director of RHIHL; (iii) a fee of HK\$0.15 million per annum entitled by each of these Directors for serving as an executive director of Cosmopolitan; and (iv) 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 (i) a fee of HK\$0.15 million per annum for serving as an executive director of PHL; (ii) a fee of HK\$0.15 million per annum for serving as an executive director of RHIHL; (iii) a fee of HK\$0.15 million per annum for serving as an executive director of Cosmopolitan; and (iv) a fee of HK\$0.15 million per annum for serving as a non-executive director of RPML and a fee of HK\$0.10 million per annum for serving as a member of the audit committee of RPML.
- Mr. Donald Fan Tung also included (i) a fee of HK\$0.15 million per annum for serving as an executive director of PHL; (ii) a fee of HK\$0.15 million per annum for serving as an executive director of RHIHL; and (iii) a fee of HK\$0.15 million per annum for serving as a non-executive director of RPML.
- Mr. Kelvin Leung So Po also included a fee of HK\$0.15 million per annum for serving as an executive director of Cosmopolitan.

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

9. SENIOR EXECUTIVES' EMOLUMENTS

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

10. INCOME TAX

	2021 HK\$'million	2020 HK\$'million
Current – Hong Kong		
Charge for the year	33.1	56.0
Overprovision in prior years	(0.3)	(0.3)
Current – Overseas		
Charge for the year	123.9	6.5
Underprovision in prior years	–	2.5
PRC land appreciation tax	160.8	0.7
Deferred (note 35)	(116.1)	(74.7)
Total tax charge/(credit) for the year	<u>201.4</u>	<u>(9.3)</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2020 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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

The PRC land appreciation tax (“LAT”) is levied on the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge/(credit) at the Group's effective tax rate is as follows:

The share of tax attributable to associates amounting to HK\$4.0 million (2020 - HK\$3.8 million) is included in “Share of profits and losses of associates” in the consolidated statement of profit or loss.

2021

	Hong Kong and others HK\$'million	%	Mainland China HK\$'million	%	Total HK\$'million
Profit/(Loss) before tax	<u>(729.4)</u>		<u>285.8</u>		<u>(443.6)</u>
Tax at the statutory tax rate	(120.3)	16.5	71.4	25.0	(48.9)
Adjustments in respect of current tax of previous years	(0.3)		–		(0.3)
Profits attributable to associates	(1.9)		–		(1.9)
Income not subject to tax	(83.8)		(7.3)		(91.1)
Expenses not deductible for tax	90.9		54.5		145.4
Tax losses utilised from previous years	(69.4)		(2.4)		(71.8)
Tax losses not recognised during the year	135.9		9.2		145.1
LAT provided	–		160.8		160.8
Tax effect on LAT	–		(40.2)		(40.2)
Others	17.9		(13.6)		4.3
Tax charge/(credit) for the year	<u>(31.0)</u>		<u>232.4</u>		<u>201.4</u>

2020

	Hong Kong and others HK\$'million	%	Mainland China HK\$'million	%	Total HK\$'million
Loss before tax	<u>(1,241.2)</u>		<u>(10.9)</u>		<u>(1,252.1)</u>
Tax at the statutory tax rate	(204.8)	16.5	(2.7)	25.0	(207.5)
Adjustments in respect of current tax of previous years	0.2		2.0		2.2
Profits attributable to associates	(0.8)		–		(0.8)
Income not subject to tax	(123.1)		(1.4)		(124.5)
Expenses not deductible for tax	134.4		2.5		136.9
Tax losses utilised from previous years	(26.9)		(0.1)		(27.0)
Tax losses not recognised during the year	217.8		1.1		218.9
LAT provided	–		0.7		0.7
Tax effect on LAT	–		(0.2)		(0.2)
Others	(15.6)		7.6		(8.0)
Tax charge/(credit) for the year	<u>(18.8)</u>		<u>9.5</u>		<u>(9.3)</u>

11. DIVIDENDS

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

12. LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic loss per ordinary share

The calculation of the basic loss per ordinary share is based on the loss for the year attributable to equity holders of the parent of HK\$296.8 million (2020 - HK\$539.7 million), adjusted for the share of distribution related to perpetual securities of the RHIHL Group of HK\$48.8 million (2020 - HK\$48.1 million), and on the weighted average of 3,160.7 million (2020 - 3,203.8 million) ordinary shares of the Company in issue during the year.

(b) Diluted loss per ordinary share

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

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings HK\$'million	Leasehold properties HK\$'million	Properties under construction HK\$'million	Leasehold improvements, furniture, fixtures and equipment HK\$'million	Motor vehicles HK\$'million	Aircraft HK\$'million	Construction in progress HK\$'million	Total HK\$'million
31st December, 2021								
At 1st January, 2021								
Cost	5,559.9	63.7	4,444.6	924.1	8.7	417.1	15.6	11,433.7
Accumulated depreciation and impairment	(1,465.1)	(11.3)	-	(587.4)	(6.7)	(72.0)	-	(2,142.5)
Net carrying amount	<u>4,094.8</u>	<u>52.4</u>	<u>4,444.6</u>	<u>336.7</u>	<u>2.0</u>	<u>345.1</u>	<u>15.6</u>	<u>9,291.2</u>
At 1st January, 2021, net of accumulated depreciation and impairment	4,094.8	52.4	4,444.6	336.7	2.0	345.1	15.6	9,291.2
Additions	10.3	-	476.0	59.7	2.3	-	9.7	558.0
Reclassification	-	-	-	1.1	-	-	(1.1)	-
Transfer upon completion of properties under construction	2,206.7	-	(4,675.1)	-	-	-	-	(2,468.4)
Transfer from properties held for sale	-	27.0	-	-	-	-	-	27.0
Transfer to properties held for sale	-	(12.7)	-	(0.2)	-	-	-	(12.9)
Depreciation provided during the year	(228.3)	(2.2)	-	(109.7)	(1.3)	(8.0)	-	(349.5)
Impairment	-	-	-	-	-	(11.7)	-	(11.7)
Exchange realignment	-	0.3	(0.9)	-	-	1.9	-	1.3
At 31st December, 2021, net of accumulated depreciation and impairment	<u>6,083.5</u>	<u>64.8</u>	<u>244.6</u>	<u>287.6</u>	<u>3.0</u>	<u>327.3</u>	<u>24.2</u>	<u>7,035.0</u>
At 31st December, 2021:								
Cost	7,776.9	75.3	244.6	984.6	10.7	419.5	24.2	9,535.8
Accumulated depreciation and impairment	(1,693.4)	(10.5)	-	(697.0)	(7.7)	(92.2)	-	(2,500.8)
Net carrying amount	<u>6,083.5</u>	<u>64.8</u>	<u>244.6</u>	<u>287.6</u>	<u>3.0</u>	<u>327.3</u>	<u>24.2</u>	<u>7,035.0</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

	Hotel buildings HK\$'million	Leasehold properties HK\$'million	Properties under construction HK\$'million	Leasehold improvements, furniture, fixtures and equipment HK\$'million	Motor vehicles HK\$'million	Aircraft HK\$'million	Construction in progress HK\$'million	Total HK\$'million
31st December, 2020								
At 1st January, 2020								
Cost	5,559.9	91.8	3,500.4	857.6	8.7	419.0	33.8	10,471.2
Accumulated depreciation	(1,221.1)	(37.9)	–	(493.5)	(5.1)	(30.4)	–	(1,788.0)
Net carrying amount	<u>4,338.8</u>	<u>53.9</u>	<u>3,500.4</u>	<u>364.1</u>	<u>3.6</u>	<u>388.6</u>	<u>33.8</u>	<u>8,683.2</u>
At 1st January, 2020,								
net of accumulated depreciation	4,338.8	53.9	3,500.4	364.1	3.6	388.6	33.8	8,683.2
Additions	–	–	934.4	38.7	–	–	11.2	984.3
Reclassification	–	–	–	29.4	–	–	(29.4)	–
Write-off/Disposals	–	(29.1)	–	(1.7)	–	–	–	(30.8)
Write-back of depreciation upon write-off/disposals	–	29.1	–	1.7	–	–	–	30.8
Depreciation provided during the year	(223.1)	(2.1)	–	(95.6)	(1.6)	(11.8)	–	(334.2)
Impairment	(20.9)	–	–	–	–	(30.0)	–	(50.9)
Exchange realignment	–	0.6	9.8	0.1	–	(1.7)	–	8.8
At 31st December, 2020,								
net of accumulated depreciation and impairment	<u>4,094.8</u>	<u>52.4</u>	<u>4,444.6</u>	<u>336.7</u>	<u>2.0</u>	<u>345.1</u>	<u>15.6</u>	<u>9,291.2</u>
At 31st December, 2020:								
Cost	5,559.9	63.7	4,444.6	924.1	8.7	417.1	15.6	11,433.7
Accumulated depreciation and impairment	(1,465.1)	(11.3)	–	(587.4)	(6.7)	(72.0)	–	(2,142.5)
Net carrying amount	<u>4,094.8</u>	<u>52.4</u>	<u>4,444.6</u>	<u>336.7</u>	<u>2.0</u>	<u>345.1</u>	<u>15.6</u>	<u>9,291.2</u>

At 31st December, 2021, the Group's property, plant and equipment and leasehold land included in right-of-use assets (note 15) with net carrying amounts of HK\$6,397.5 million and HK\$16,074.6 million (2020 - HK\$8,635.9 million and HK\$13,938.0 million), respectively, were pledged to secure banking facilities granted to the Group.

As at 31st December, 2020, due to the stringent travel restrictions under the COVID-19 pandemic which had impacted the Group's hotel operations, the recoverable amounts of certain hotel properties of HK\$5,674.0 million was less than the carrying amounts of HK\$941.1 million and HK\$4,877.5 million included in hotel buildings and right-of-use assets, respectively, as of 31st December, 2020. Accordingly, an impairment loss of HK\$20.9 million and HK\$123.7 million in relation to hotel buildings and right-of-use assets of these hotel properties, respectively, was recognised in the consolidated statement of profit or loss during the year ended 31st December, 2020. The recoverable amount was estimated based on the fair value less costs of disposal using discounted cash flow projections, which was estimated based on valuation techniques with significant unobservable inputs and assumptions of market conditions, and based on the valuation conducted by an independent professional qualified valuer. The discount rates adopted in the cash flow projections ranged from 6.0% to 6.25% with an external long-term growth rate of 3%. The fair value measurement of the hotel properties fell within Level 3 of the fair value measurement hierarchy.

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

14. INVESTMENT PROPERTIES

	2021 HK\$'million	2020 HK\$'million
Completed investment properties	<u>3,209.2</u>	<u>3,357.7</u>
The movements of investment properties during the year are as follows:		
Carrying amount at 1st January	3,357.7	3,577.6
Capital expenditure for the year	4.7	12.2
Lease modification	(0.4)	(11.5)
Transfer from properties held for sale	97.5	–
Disposals	(299.0)	(85.0)
Net gain/(loss) from fair value adjustments	55.4	(153.5)
Exchange realignment	(6.7)	17.9
Carrying amount at 31st December	<u>3,209.2</u>	<u>3,357.7</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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. Certain of the Group's properties included in investment properties were revalued on 31st December, 2021 based on valuations performed by Savills Valuation and Professional Services Limited, Cushman & Wakefield Limited, CBRE Limited, Colliers International Spain, and Vincorn Consulting and Appraisal Limited, five independent professionally qualified valuers, at an aggregate valuation amount of HK\$3,200.2 million. Each year, the Group's management selects the external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management also has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuations are performed for interim and annual financial reporting. Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 15(b) to the financial statements.

At 31st December, 2021, the Group's investment properties with a carrying value of HK\$2,989.8 million (2020 - HK\$3,138.0 million) were pledged to secure banking facilities granted to the Group.

Further particulars of the Group's investment properties are included on pages 212 to 214.

Fair value hierarchy

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

	Fair value measurement as at 31st December, 2021 using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Residential properties	–	–	442.8	442.8
Commercial properties	–	–	2,645.5	2,645.5
Hotel properties	–	–	111.3	111.3
Industrial properties	–	–	0.6	0.6
Right-of-use assets	–	–	9.0	9.0
	–	–	3,209.2	3,209.2

Fair value measurement as at 31st December, 2020 using				
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	Total HK\$'million
Residential properties	–	–	639.0	639.0
Commercial properties	–	–	2,593.5	2,593.5
Hotel properties	–	–	114.5	114.5
Industrial properties	–	–	0.6	0.6
Right-of-use assets	–	–	10.1	10.1
	–	–	3,357.7	3,357.7

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 (2020 - Nil).

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

	Residential properties HK\$'million	Commercial properties HK\$'million	Hotel properties HK\$'million	Industrial properties HK\$'million	Right-of-use assets HK\$'million
Carrying amount at 1st January, 2020	745.0	2,678.9	128.2	0.6	24.9
Capital expenditure for the year	2.0	10.2	–	–	–
Lease modification	–	–	–	–	(11.5)
Disposals	(81.0)	(4.0)	–	–	–
Loss from fair value adjustments	(27.0)	(97.6)	(23.7)	–	(5.2)
Exchange realignment	–	6.0	10.0	–	1.9
Carrying amount at 31st December, 2020 and 1st January, 2021	639.0	2,593.5	114.5	0.6	10.1
Capital expenditure for the year	4.1	0.6	–	–	–
Lease modification	–	–	–	–	(0.4)
Transfer from properties held for sale	97.5	–	–	–	–
Disposals	(299.0)	–	–	–	–
Unrealised gains from fair value adjustments	1.2	48.8	5.4	–	–
Exchange realignment	–	2.6	(8.6)	–	(0.7)
Carrying amount at 31st December, 2021	442.8	2,645.5	111.3	0.6	9.0

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

	Valuation techniques	Significant unobservable inputs	Range	
			2021	2020
Residential properties	Sales comparison approach	Estimated market price per square foot	HK\$31,906 to HK\$40,329	HK\$22,878 to HK\$32,195
Commercial properties	Discounted cash flow method	Capitalisation rate	2.5% to 3.0%	2.5% to 3.7%
		Discount rate	6%	6%
		Estimated rental value per square metre and per month	HK\$308 to HK\$756	HK\$481 to HK\$895
Hotel properties	Income capitalisation method	Capitalisation rate	5.5%	5.0% to 5.3%
		Estimated rental value per square metre and per month	RMB98 to RMB196	RMB76 to RMB244
		Sales comparison approach	N/A	RMB17,000 to RMB34,000
Industrial properties	Discounted cash flow method	Capitalisation rate	6.5%	6.5%
		Discount rate	8.0% to 8.7%	7.4% to 8.3%
		Estimated rental value per square metre and per month	EUR5.28 to EUR6.55	EUR2.39 to EUR5.98
Right-of-use assets	Discounted cash flow method	Discount rate	0.41%	0.04%
		Estimated rental value per month (approximately)	EUR22,143	EUR22,143

Under the sales comparison approach, fair value is estimated with reference to the sales of comparable properties as available in the market, with adjustment for the difference in the 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-of-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.

Under the income capitalisation method, the fair value is estimated based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sales transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have been assessed with reference to recent lettings, within the subject properties and other comparable properties.

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

15. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(a) The Group as a lessee

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

(i) Right-of-use assets

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

	Leasehold land HK\$'million	Leased properties HK\$'million	Other equipment HK\$'million	Total HK\$'million
As at 1st January, 2020	14,346.3	44.5	0.4	14,391.2
Additions	–	48.5	–	48.5
Termination of a lease	–	(0.7)	–	(0.7)
Impairment	(123.7)	–	–	(123.7)
Depreciation charge	(284.3)	(41.5)	(0.3)	(326.1)
Exchange realignment	–	0.1	–	0.1
As at 31st December, 2020 and 1st January, 2021	13,938.3	50.9	0.1	13,989.3
New leases	2,468.4	27.4	–	2,495.8
Modification	–	19.2	–	19.2
Transfer from properties held for sale	41.2	–	–	41.2
Transfer to properties held for sale	(84.4)	–	–	(84.4)
Depreciation charge	(288.6)	(37.0)	(0.1)	(325.7)
As at 31st December, 2021	<u>16,074.9</u>	<u>60.5</u>	<u>–</u>	<u>16,135.4</u>

Details of the leasehold land pledged to secure banking facilities of the Group and impairment of right-of-use assets are disclosed in note 13 to the financial statements.

(ii) Lease liabilities

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

	2021 HK\$'million	2020 HK\$'million
Carrying amount at 1st January	66.7	69.3
New leases	27.4	50.1
Modification	18.4	(13.3)
Termination of a lease	–	(0.7)
Interest expense	1.7	2.2
Payments	(41.5)	(43.0)
Exchange realignment	(0.8)	2.1
	<u>71.9</u>	<u>66.7</u>
Carrying amount at 31st December		
Analysed into:		
Current portion	37.1	30.3
Non-current portion	34.8	36.4

The maturity analysis of lease liabilities is disclosed in note 47 to the financial statements.

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

	2021 HK\$'million	2020 HK\$'million
Interest on lease liabilities	1.7	2.2
Depreciation of right-of-use assets	325.7	326.1
Expense relating to short-term leases (included in cost of sales and administrative expenses)	5.4	2.6
Gain on lease modification	(0.4)	(0.3)
Impairment of right-of-use assets	–	123.7
	<u>332.4</u>	<u>454.3</u>
Total amount recognised in profit or loss		

(iv) The total cash outflow for leases is disclosed in note 40(e) 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, an unit of an industrial building 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\$136.5 million (2020 - HK\$143.4 million), details of which are included in note 5 to the financial statements.

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

	2021 HK\$'million	2020 HK\$'million
Within one year	99.9	91.3
After one year but within two years	74.6	58.8
After two years but within three years	20.2	42.5
After three years but within four years	2.2	9.2
After four years but within five years	2.1	1.4
After five years	0.6	1.4
	199.6	204.6

16. PROPERTIES UNDER DEVELOPMENT

Properties under development are analysed as follows:

	2021 HK\$'million	2020 HK\$'million
Balance at 1st January	6,411.8	5,454.5
Additions	778.2	799.4
Transfer to properties held for sale	(1,731.6)	–
Impairment loss	(43.1)	–
Exchange realignment	47.9	157.9
	<hr/>	<hr/>
Balance at 31st December	5,463.2	6,411.8
Portion included in current assets	(4,593.3)	(5,544.4)
	<hr/>	<hr/>
Non-current portion	869.9	867.4
	<hr/> <hr/>	<hr/> <hr/>
Properties under development included under current assets expected to be completed within normal operating cycle and recovered:		
Within one year	1,051.3	1,338.6
After one year	3,542.0	4,205.8
	<hr/>	<hr/>
	4,593.3	5,544.4
	<hr/> <hr/>	<hr/> <hr/>

At 31st December, 2021, the Group's properties under development with a carrying amount of HK\$2,207.6 million (2020 - HK\$2,075.9 million) were pledged to secure banking facilities granted to the Group.

17. INVESTMENTS IN ASSOCIATES

	2021 HK\$'million	2020 HK\$'million
Share of net assets	120.6	129.3
Loans to an associate	447.6	441.0
Amounts due from associates	110.1	110.1
Provision for impairment	(221.2)	(197.9)
	<u>457.1</u>	<u>482.5</u>

The loans to an associate are unsecured, interest-free and repayable on demand except for (i) an amount of HK\$242.8 million (2020 - HK\$242.8 million) which bears interest at HIBOR plus an interest margin of 1.15% per annum (the "Base Rate"); and (ii) an amount of HK\$60.0 million (2020 - HK\$60.0 million) which bears interest at two times of the Base Rate, for a term of three years to December 2022.

The amounts due from associates are unsecured, interest-free and repayable on demand.

In the opinion of the Directors, the loans to an associate and the amounts due from associates are considered as part of the Group's net investments in the associates. As at 31st December, 2021 and 2020, the loss allowance for impairment of amounts due from associates of HK\$102.5 million (2020 - HK\$100.9 million) represented lifetime ECLs made for credit-impaired balances. Except for the above balances, there have been no significant increase in credit risk of the remaining balances. As at 31st December, 2021 and 2020, the loss allowance for such remaining balances was assessed to be minimal.

As at 31st December, 2021, the recoverable amount of an investment in associate is determined based on the fair value less cost of disposal, which has taken into consideration the fair values of the underlying assets and liabilities. As at 31st December, 2021, the recoverable amount of such investment was less than the carrying amount of HK\$118.7 million (2020 - HK\$128.3 million). Accordingly, impairment loss of HK\$21.7 million (2020 - HK\$97.0 million) was further recognised in the consolidated statement of profit or loss for the year ended 31st December, 2021.

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

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			2021	2020	
Dense Globe Investments Limited ("Dense Globe")	British Virgin Islands	US\$100	50.0	50.0	Investment holding
Fine Cosmos Development Limited [^]	Hong Kong	HK\$2	50.0	50.0	Hotel ownership and operation

[^] This is a wholly owned subsidiary of Dense Globe.

The percentage of equity interest above in respect of Dense Globe and its subsidiary represents that attributable to P&R Holdings, a 52.7% owned subsidiary of the Company.

The percentages of equity interest above in respect of 8D Matrix and its subsidiaries represent the aggregate of the 12% (including a 2% attributable interest held by the Company through 8D BVI, an associate in which the Company and RHIHL holds a 10% and 30% equity interest, respectively) and the 36% (including a 6% attributable interest held by RHIHL through 8D BVI) equity interest attributable to the Company and RHIHL, respectively.

The above associates are indirectly held by the Company.

Dense Globe is considered a material associate of the Group and is accounted for using the equity method. Dense Globe and its subsidiary are engaged in hotel operation.

The following table illustrates the summarised financial information in respect of Dense Globe adjusted for any differences in accounting policies and reconciled to their carrying amounts in the financial statements:

	2021 HK\$'million	2020 HK\$'million
Dense Globe and its subsidiary		
Non-current assets	1,185.0	1,194.0
Current assets	12.8	1.4
Current liabilities	(960.3)	(662.6)
Non-current liabilities	–	(276.4)
Net assets	<u>237.5</u>	<u>256.4</u>
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the associate	118.7	128.2
Loans to the associate	447.6	441.0
Provision for impairment	(118.7)	(97.0)
Carrying amount of the investment	<u>447.6</u>	<u>472.2</u>
Revenue	17.4	1.0
Loss for the year and total comprehensive loss for the year	<u>(19.0)</u>	<u>(29.2)</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

	2021 HK\$'million	2020 HK\$'million
Share of the associates' profit for the year and total comprehensive income for the year	21.1	19.5
Aggregate carrying amount of the Group's investments in the associates	<u>9.5</u>	<u>10.3</u>

18. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK\$'million	2020 HK\$'million
Listed equity investment, at fair value AMTD International Inc.	525.2	1,087.0
Unlisted equity investment, at fair value 中電產融控股有限公司	46.6	45.4
Unlisted fund investments, at fair value	<u>18.7</u>	<u>–</u>
	<u>590.5</u>	<u>1,132.4</u>

The above investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. During the year, the Group did not receive any dividend (2020 - Nil) from these investments.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'million	2020 HK\$'million
Non-current		
Unlisted equity investments, at fair value	146.4	180.6
Unlisted fund investments, at fair value	564.0	662.2
Unlisted debt investments, at fair value	7.8	5.2
	<u>718.2</u>	<u>848.0</u>
Current		
Listed equity investments, at fair value	255.5	307.8
Listed debt investments, at fair value*	73.4	130.5
Unlisted fund investment, at fair value	36.7	35.7
	<u>365.6</u>	<u>474.0</u>

The unlisted equity, fund and debt investments at 31st December, 2021 and 2020 were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

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

At 31st December, 2021, certain of the Group's financial assets at fair value through profit or loss with a carrying value of HK\$84.1 million (2020 - HK\$174.0 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.

* During the year, a put option (note 34) was granted to the Group in relation to an investment held by the Group. Management is of the view that the market risk of such put option is not significant.

20. LOANS RECEIVABLE

	2021 HK\$'million	2020 HK\$'million
Non-current		
Mortgage loans (Note (b))	232.5	258.1
Long term secured loan (Note (c))	1.8	–
	<u>234.3</u>	<u>258.1</u>
Current		
Loan note receivable (Note (a))	–	110.4
Mortgage loans (Note (b))	13.0	12.7
	<u>13.0</u>	<u>123.1</u>

Notes:

- (a) Loan note receivable represented the balance of the outstanding consideration in the original amount of HK\$210.4 million in respect of the disposal of 50% equity interest in Dense Globe Group to an independent third party (the "Hotel Purchaser") in 2019 as detailed in note 40(c) to the financial statements. The loan note was secured by the shares of Dense Globe held by the Hotel Purchaser and was originally interest-free and repayable on or before 31st March, 2020. The obligations under the loan note receivable were subsequently novated to a wholly-owned subsidiary of the Hotel Purchaser and the maturity date of such loan note was also subsequently extended to 15th July, 2020.

On 15th July, 2020, the terms of repayment of the loan note were further amended as follows: (i) a sum of HK\$100 million shall be repaid on or before 15th July, 2020; (ii) a sum of HK\$35 million, together with the interest accrued at the rate of 4% per annum shall be repaid on or before 30th April, 2021; and (iii) the remaining balance, together with the interest accrued at the rate of 4% per annum shall be repaid on or before 15th July, 2021 provided that the interest specified in (ii) and (iii) above shall not be payable if the entire amount of the loan note was repaid on or before 30th April, 2021. The loan note was fully settled during the year.

- (b) The mortgage loans represent loans granted to purchasers in connection with the sale of properties of the PHL Group. The loans are secured by mortgages over the properties sold and are repayable by instalments in 5 to 25 years (2020 - 5 to 25 years). The mortgage loans bear interest at rates ranging from the Hong Kong dollar prime lending rate minus 2.75% to the Hong Kong dollar prime lending rate plus 2% per annum (2020 - Hong Kong dollar prime lending rate minus 2.75% to the Hong Kong dollar prime lending rate plus 2% per annum).
- (c) The long term secured loan bears interest at 5% per annum. The loan amount outstanding under the loan facility is secured by an equity pledge over a PRC company and a legal charge over a property (subject to registration with the authority). The secured loan is repayable on 29th April, 2023.

As at 31st December, 2021 and 2020, the loans receivable are classified in stage 1.

Impairment analysis is performed at each reporting date by considering the probability of default of counterparties. As at 31st December, 2021 and 2020, the loss allowance was assessed to be minimal.

21. FINANCE LEASE RECEIVABLES

As at 31st December, 2020, the Group leased out an aircraft under a finance lease arrangement, with a remaining lease term of 1 year.

	Minimum lease payments	Present value of minimum lease payments
	2020 HK\$'million	2020 HK\$'million
Finance lease receivable within one year	7.2	<u>6.8</u>
Less: Unearned finance income	<u>(0.4)</u>	
Total net finance lease receivables	<u>6.8</u>	
		2020 HK\$'million
Analysed for reporting purposes as current assets		<u>6.8</u>
		<u>6.8</u>

The Group's finance lease receivables were denominated in United States dollars ("US\$").

22. GOODWILL

	2021 HK\$'million	2020 HK\$'million
Cost at 1st January, net of accumulated impairment	261.0	261.0
Impairment during the year	(261.0)	–
Cost and net carrying amount at 31st December	–	261.0
At 31st December		
Cost	710.6	710.6
Accumulated impairment	(710.6)	(449.6)
Net carrying amount	–	261.0

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the Mainland China property development and investment cash-generating unit ("CGU") for impairment testing.

The recoverable amount of the Mainland China property development and investment CGU has been determined based on value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been prepared to reflect the development plan of the property development projects, comprising residential, commercial and hotel buildings. Taking into consideration of the volatility in selling price and construction costs to be incurred, the recoverable amount of CGU was below its carrying amount, an impairment loss of HK\$261.0 million (2020 - Nil) has been recognised in profit or loss during the year. The discount rate applied to the cash flow projections is 24.0% (2020 - 24.0%).

Assumptions were used in the value in use calculation of the Mainland China property development and investment CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate - Discount rate used is before tax and represents the current market assessment of the risks specific to the relevant CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings that the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factor. The beta factor is evaluated annually based on publicly available market data.

Property price - The basis used to determine the future selling price of the property development projects is with reference to recent market conditions and expected market development.

Construction materials price inflation - The basis used to determine the construction materials price inflation is the forecast price indices during the budget year for Mainland China from where the raw materials are sourced.

The values assigned to the key assumptions on market development of property development industry, discount rate, property price and construction materials price inflation are consistent with external information sources.

23. TRADEMARK

	2021 HK\$'million	2020 HK\$'million
Cost and carrying amount at 1st January and 31st December	<u>610.2</u>	<u>610.2</u>

Impairment testing of trademark

Trademark is allocated to the Hong Kong hotel operation and management and hotel ownership CGU for impairment testing.

The recoverable amount of the Hong Kong hotel operation and management and hotel ownership CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The discount rates applied to the cash flow projections are 5.5% to 6.88% (2020 - 5.5% to 6.88%). The growth rates used to extrapolate the cash flows of the hotel operation and management and hotel ownership CGU beyond the five-year period is 3% (2020 - 3%). The rate does not exceed the long term growth rates for the relevant markets.

Assumptions were used in the value in use calculation of the Hong Kong hotel operation and management and hotel ownership CGU for the years ended 31st December, 2021 and 31st December, 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of trademark:

Budgeted gross margins - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate - Discount rate used is before tax and represents the current market assessment of the risks specific to the relevant CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings that the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factor. The beta factor is evaluated annually based on publicly available market data.

Growth rates - The growth rates used are with reference to the historical performance of the relevant hotels and the long term average growth rate for the hotel industry.

The values assigned to the key assumptions on market development of hotel industry, discount rates and growth rates are consistent with external information sources.

24. OTHER INTANGIBLE ASSETS

	Passenger service licences		Other licences		Total	
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million
Cost at 1st January, net of accumulated amortisation	–	–	0.7	2.0	0.7	2.0
Additions	3.6	–	–	–	3.6	–
Amortisation provided during the year	–	–	(0.7)	(1.4)	(0.7)	(1.4)
Exchange realignment	–	–	–	0.1	–	0.1
At 31st December	<u>3.6</u>	<u>–</u>	<u>–</u>	<u>0.7</u>	<u>3.6</u>	<u>0.7</u>
At 31st December:						
Cost	3.6	–	2.8	2.8	6.4	2.8
Accumulated amortisation	–	–	(2.8)	(2.1)	(2.8)	(2.1)
Net carrying amount	<u>3.6</u>	<u>–</u>	<u>–</u>	<u>0.7</u>	<u>3.6</u>	<u>0.7</u>

25. PROPERTIES HELD FOR SALE

At 31st December, 2021, the Group's properties held for sale with a carrying amount of HK\$4,146.8 million (2020 - HK\$4,769.6 million) were pledged to secure banking facilities granted to the Group.

In 2014, the Group entered into a development agreement ("Development Agreement") with the Urban Renewal Authority ("URA"), for a development project in Sham Shui Po, Kowloon, Hong Kong, in the form of a joint operation. Under the Development Agreement, the Group was mainly responsible for the construction of the development project. Sales proceeds arising from the sale of the development projects will be distributed between URA and the Group pursuant to the terms of the Development Agreement. At 31st December 2021, the carrying amount of the unsold units of this project included in properties held for sale amounted to HK\$71.1 million (2020 - HK\$172.1 million).

26. INVENTORIES

	2021 HK\$'million	2020 HK\$'million
Hotel and other merchandise	23.1	25.5
Work in progress	20.5	16.5
Finished goods	2.7	0.1
	<u>46.3</u>	<u>42.1</u>

27. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments under current assets is an amount of HK\$44.7 million (2020 - HK\$38.4 million) representing the trade debtors of the Group.

	2021 HK\$'million	2020 HK\$'million
Trade debtors	72.2	59.5
Impairment	(27.5)	(21.1)
	<u>44.7</u>	<u>38.4</u>

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.

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 holds collateral or other credit enhancements over certain of these balances.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

	2021 HK\$'million	2020 HK\$'million
Outstanding balances with ages:		
Within 3 months	31.0	29.0
4 to 6 months	5.9	4.5
7 to 12 months	7.6	7.0
Over 1 year	27.7	19.0
	<u>72.2</u>	<u>59.5</u>
Impairment	(27.5)	(21.1)
	<u>44.7</u>	<u>38.4</u>

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

	2021 HK\$'million	2020 HK\$'million
At 1st January	21.1	9.2
Impairment losses, net (note 6)	6.4	13.4
Amount written off as uncollectible	–	(1.5)
	<u>27.5</u>	<u>21.1</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product/service type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

As at 31st December, 2021

	Credit impaired receivables	Current	Past due				Total
			Within 3 months	4 to 6 months	7 to 12 months	Over 1 year	
Expected credit loss rate	100%	–	–	3.3%	3.9%	75.4%	38.1%
Gross carrying amount (HK\$'million)	16.4	16.3	14.7	3.0	7.6	14.2	72.2
Expected credit losses (HK\$'million)	16.4	–	–	0.1	0.3	10.7	27.5

As at 31st December, 2020

	Credit impaired receivables	Current	Past due				Total
			Within 3 months	4 to 6 months	7 to 12 months	Over 1 year	
Expected credit loss rate	100%	–	–	6.7%	1.7%	62.1%	35.5%
Gross carrying amount (HK\$'million)	12.2	16.3	9.7	1.5	5.8	14.0	59.5
Expected credit losses (HK\$'million)	12.2	–	–	0.1	0.1	8.7	21.1

Included in the balance is an amount due from a related company of HK\$1.2 million (2020 - HK\$1.2 million), which is unsecured, non-interest bearing and repayable on demand.

Also included in the balance is an amount of HK\$25.4 million (2020 - HK\$32.2 million) in relation to the prepaid commission for sales of properties which is classified as contract costs in accordance with HKFRS 15.

The financial assets included in the above balance, other than trade debtors, relate to receivables and deposits of HK\$830.9 million (2020 - HK\$662.2 million) for which there was no recent history of default and past due amounts. As at 31st December, 2021 and 2020, the loss allowance was assessed to be minimal.

28. FINANCIAL ASSET AT AMORTISED COST

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

29. RESTRICTED CASH

At 31st December, 2021, the Group had cash of approximately HK\$171.7 million (2020 - HK\$122.2 million) 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, deposits of certain tenants in respect of certain investment properties and guarantee deposits for the construction costs of certain pre-sold properties.

30. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK\$45.3 million (2020 - HK\$33.2 million) representing the trade creditors of the Group. An ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2021 HK\$'million	2020 HK\$'million
Outstanding balances with ages:		
Within 3 months	45.2	33.2
4 to 6 months	0.1	–
	<u>45.3</u>	<u>33.2</u>

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

Included in the balance under current liabilities are amounts due to an associate and a related company of HK\$3.5 million (2020 - HK\$0.2 million) and HK\$4.3 million (2020 - HK\$4.2 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

31. CONTRACT LIABILITIES

	31st December, 2021 HK\$'million	31st December, 2020 HK\$'million
Contract liabilities arising from:		
Sales of properties	1,661.6	2,662.5
Leasing of properties	0.2	1.3
Construction services	1.0	2.5
Hotel operations and management services	112.1	57.1
	<u>1,774.9</u>	<u>2,723.4</u>

Contract liabilities include (i) sales proceeds received in advance from buyers in connection with the Group's sale and pre-sale of properties and interest on the sales proceeds received; (ii) consideration received from customers in advance for leasing of properties, construction and hotel services; and (iii) deferred income arising from the loyalty point programmes operated by the Group's hotels which allow customers to accumulate points when they patronise the Group's hotels and redeem the points for future spending in the hotels or other gifts. The decrease in contract liabilities during the year was mainly due to the decrease in sales proceeds received in advance from buyers.

32. INTEREST BEARING BANK BORROWINGS

	2021		2020	
	Maturity	HK\$'million	Maturity	HK\$'million
Current				
Bank loans – secured	2022	3,329.5	2021	9,527.6
Non-current				
Bank loans – secured	2023 - 2026	16,764.7	2022 - 2024	8,030.7
		<u>20,094.2</u>		<u>17,558.3</u>

	2021 HK\$'million	2020 HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	3,329.5	9,527.6
In the second year	5,754.8	2,525.3
In the third to fifth years, inclusive	11,009.9	5,505.4
	<u>20,094.2</u>	<u>17,558.3</u>

On 12th September, 2016, Regal REIT group, through wholly owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$1,000.0 million (the "2016 IH Facilities"). On 10th August, 2021, a new 5-year financing facility comprised of a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$500.0 million (the "2021 IH Facilities") was concluded. The new term loan facility was applied to repay the previous term loan facility in the same principal amount that matured in September 2021. The new revolving loan facility is reserved for general corporate funding proposes. The 2021 IH Facilities are secured by four of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. As at 31st December, 2021, the 2021 IH Facilities had outstanding amount of HK\$4,590.0 million, representing the full amount of the term loan facility and an amount of HK\$90.0 million under the revolving loan facility.

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Cont'd)

As at 31st December, 2021, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.95% per annum to 2.75% per annum except for a bank loan of HK\$20.4 million, which bore interest at EURIBOR plus an interest margin of 2.5% per annum and bank loans of HK\$20.6 million, which bore interest at the bank's cost of fund plus an interest margin of 0.75% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$41.0 million which were denominated in Euro.

As at 31st December, 2020, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.98% per annum to 1.875% per annum, except for a bank loan of HK\$7.0 million, which bore interest at EURIBOR plus an interest margin of 2.5% per annum and bank loans of HK\$92.7 million, which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$57.0 million which were denominated in United States dollars and bank loans of HK\$33.0 million which were denominated in Euro.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 42 to the consolidated financial statements.

33. OTHER BORROWINGS

	2021 HK\$'million	2020 HK\$'million
Unsecured notes	–	2,703.9
Other borrowing	–	48.8
	<u>–</u>	<u>2,752.7</u>
Analysed into:		
Other borrowings repayable:		
Within one year	<u>–</u>	<u>2,752.7</u>

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

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

The borrowing other than the notes issued under the MTN Programme was unsecured, bore interest at 6% per annum. The notes and the other borrowing were fully repaid during the year ended 31st December, 2021.

34. DERIVATIVE FINANCIAL INSTRUMENTS

	ASSETS	
	2021 HK\$'million	2020 HK\$'million
Put options	<u>26.3</u>	<u>–</u>
	LIABILITIES	
	2021 HK\$'million	2020 HK\$'million
Interest rate swap	<u>–</u>	<u>17.8</u>

At the end of the reporting periods, the Group had outstanding put options and interest rate swap, which were not designated for hedge purposes and were measured at fair value through profit or loss. A net fair value gain of HK\$26.3 million (2020 - net fair value loss of HK\$11.6 million) was included in the statement of profit or loss during the year.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

35. DEFERRED TAX

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

	Depreciation allowances in excess of related depreciation HK\$'million	Depreciation in excess of related depreciation allowances HK\$'million	Losses available for offsetting against future taxable profits HK\$'million	Fair value adjustments arising from acquisition of business/subsidiaries HK\$'million	Fair value adjustments arising from revaluation of property, plant and equipment HK\$'million	Total HK\$'million
Gross deferred tax assets/(liabilities) at 1st January, 2020	(833.3)	1.8	56.3	(1,087.9)	(2.5)	(1,865.6)
Deferred tax credited to the statement of profit or loss during the year (note 10)	42.5	-	0.5	31.7	-	74.7
Exchange differences	-	-	-	(2.1)	(0.2)	(2.3)
Gross deferred tax assets/(liabilities) at 31st December, 2020 and at 1st January, 2021	(790.8)	1.8	56.8	(1,058.3)	(2.7)	(1,793.2)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	54.5	-	(2.9)	64.5	-	116.1
Exchange differences	-	-	-	1.0	0.2	1.2
Gross deferred tax assets/(liabilities) at 31st December, 2021	(736.3)	1.8	53.9	(992.8)	(2.5)	(1,675.9)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 HK\$'million	2020 HK\$'million
Net deferred tax assets recognised in the consolidated statement of financial position	47.7	50.1
Net deferred tax liabilities recognised in the consolidated statement of financial position	(1,723.6)	(1,843.3)
	(1,675.9)	(1,793.2)

The Group has unrecognised tax losses arising in Hong Kong and the United States of America amounting to HK\$6,950.4 million (2020 - HK\$6,173.5 million) and HK\$201.6 million (2020 - HK\$202.2 million), respectively, as at 31st December, 2021. The tax losses arising in Hong Kong, subject to the agreement by the Hong Kong Inland Revenue Department, are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The tax losses arising in the United States of America before 2018 are available for a maximum period of twenty years whilst those arising from 2018 onwards are available indefinitely. Deferred tax assets in respect of the above tax losses amounting to HK\$1,217.4 million (2020 - HK\$1,089.4 million) have not been recognised on account of the unpredictability of future profit streams.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1st January, 2008 and applies to earnings after 31st December, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1st January, 2008.

At 31st December, 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$1,128.4 million at 31st December, 2021 (2020 - HK\$682.9 million).

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

36. SHARE CAPITAL AND SHARE PREMIUM

	2021 HK\$'million	2020 HK\$'million
Shares		
Authorised:		
4,000.0 million ordinary shares of HK\$0.10 each	400.0	400.0
7,749.3 million non-voting convertible preference shares of HK\$0.10 each	774.9	774.9
	<u>1,174.9</u>	<u>1,174.9</u>
Issued and fully paid:		
3,093.8 million (2020 - 3,203.8 million) ordinary shares of HK\$0.10 each	309.4	320.4
Share premium		
Ordinary shares	<u>1,521.0</u>	<u>1,559.4</u>

A summary of the movements in the Company's share capital is as follows:

		<u>Issued and fully paid</u>	
	Note	Number of shares 'million	Amount HK\$'million
At 1st January, 2020, 31st December, 2020 and 1st January, 2021		3,203.8	320.4
Repurchase and cancellation of ordinary shares	(i)	<u>(110.0)</u>	<u>(11.0)</u>
At 31st December, 2021		<u>3,093.8</u>	<u>309.4</u>

Note:

- (i) All ordinary shares repurchased during the year were cancelled during the year, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The premium and related expenses paid on the repurchase of the ordinary shares of HK\$38.4 million were charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

Details of the repurchases during the year are summarised as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
July 2021	52,264,000	0.455	0.435	23,507,300
August 2021	1,460,000	0.450	0.435	647,180
September 2021	31,704,000	0.450	0.440	14,247,120
October 2021	20,600,000	0.445	0.435	9,061,960
November 2021	3,816,000	0.440	0.425	1,675,020
December 2021	156,000	0.430	0.430	67,080
	<u>110,000,000</u>			49,205,660
		Total expenses on shares repurchased		<u>238,166</u>
		Total		<u>49,443,826</u>

37. 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 74 and 75.

38. PERPETUAL SECURITIES

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

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

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

NOTES TO FINANCIAL STATEMENTS (Cont'd)

39. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2021	2020
Percentage of equity interest held by non-controlling interests of PHL	<u>37.7%</u>	<u>37.7%</u>
	2021 HK\$'million	2020 HK\$'million
Loss for the year allocated to non-controlling interests of the PHL Group	<u>(348.2)</u>	<u>(703.1)</u>
Dividends paid to non-controlling interests of the PHL Group	<u>–</u>	<u>125.1</u>
Accumulated balances of non-controlling interests of the PHL Group at the reporting date	<u>9,903.9</u>	<u>10,778.8</u>

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

	2021 HK\$'million	2020 HK\$'million
Revenue	4,015.6	1,442.8
Loss for the year	(595.7)	(1,247.4)
Total comprehensive loss for the year	<u>(1,115.7)</u>	<u>(1,688.5)</u>
Non-current assets	30,103.6	31,293.2
Current assets	14,413.6	15,496.7
Current liabilities	(6,626.9)	(16,144.8)
Non-current liabilities	<u>(18,595.7)</u>	<u>(9,970.4)</u>
Net cash flows from operating activities	716.2	2,295.2
Net cash flows from/(used in) investing activities	70.6	(565.9)
Net cash flows used in financing activities	<u>(908.2)</u>	<u>(1,072.0)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(121.4)</u>	<u>657.3</u>

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalent balances

	2021 HK\$'million	2020 HK\$'million
Cash and bank balances	1,713.1	2,666.7
Non-pledged time deposits with an original maturity of less than three months when acquired	1,056.3	249.1
Non-pledged time deposit with an original maturity of more than three months when acquired	10.0	11.2
Cash and cash equivalents	<u>2,779.4</u>	<u>2,927.0</u>

At the end of the reporting period, the cash and cash equivalent balances of the Group amounting to HK\$366.5 million (2020 - HK\$1,045.9 million) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

(b) Changes in liabilities arising from financing activities

2021

	Interest bearing bank borrowings HK\$'million	Other borrowings HK\$'million	Lease liabilities HK\$'million	Interest payable on bank borrowings and other borrowing HK\$'million
At 1st January, 2021	17,558.3	2,752.7	66.7	61.0
Changes from financing cash flows	2,477.5	(2,763.7)	(41.5)	(369.2)
New lease/modification	–	–	45.8	–
Foreign exchange movement	(2.3)	6.4	(0.8)	–
Finance costs	60.7	4.6	1.7	329.6
At 31st December, 2021	<u>20,094.2</u>	<u>–</u>	<u>71.9</u>	<u>21.4</u>

2020

	Interest bearing bank borrowings HK\$'million	Other borrowings HK\$'million	Lease liabilities HK\$'million	Interest payable on bank borrowings and other borrowing HK\$'million
At 1st January, 2020	17,847.7	2,716.7	69.3	71.4
Changes from financing cash flows	(331.4)	42.6	(43.0)	(500.0)
New lease/modification	–	–	36.8	–
Termination of a lease	–	–	(0.7)	–
Foreign exchange movement	2.0	(12.6)	2.1	(0.4)
Finance costs	40.0	6.0	2.2	490.0
At 31st December, 2020	<u>17,558.3</u>	<u>2,752.7</u>	<u>66.7</u>	<u>61.0</u>

(c) Disposal of subsidiaries

On 31st December, 2019, the Cosmopolitan Group entered into a sale and purchase agreement with an independent purchaser in relation to the disposal of the entire equity interest in Cosmopolitan International Development Limited and its subsidiaries ("CIDL Disposal") at a consideration of HK\$400 million. On the same date, the Cosmopolitan Group entered into a share acquisition agreement ("Share Acquisition Agreement"), the completion of which was conditional upon the completion of CIDL Disposal. The CIDL Disposal was completed on 31st March, 2020 and the proceeds from CIDL Disposal were applied by the Cosmopolitan Group to purchase 6,069,000 Class A ordinary shares of AMTD International Inc. ("Acquisition") pursuant to the Share Acquisition Agreement on 8th April, 2020. In the opinion of the directors of Cosmopolitan, the CIDL Disposal and the Acquisition were accounted for as one single transaction with multiple arrangements and the fair value of the equity investment acquired was considered to be the consideration of CIDL Disposal.

	HK\$ million
Net assets disposed of:	
Loans receivable	185.4
Deposits, prepayment and other assets	224.7
Creditors and accruals	(3.5)
Tax payable	(18.8)
	<hr/>
	387.8
Exchange equalisation reserve released	71.1
	<hr/>
	458.9
Gain on disposal of subsidiaries	68.9
	<hr/>
	527.8
	<hr/> <hr/>
Satisfied by:	
Financial assets designated at fair value through other comprehensive income	527.8
	<hr/> <hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK\$ million
Cash consideration	400.0
Less: Deposits received	(10.0)
	<hr/>
Inflow of cash and cash equivalents included in cash flows from investing activities	390.0
	<hr/> <hr/>

(d) Major non-cash transactions

The Group had the following major non-cash transactions:

- (i) The Group had non-cash additions/modification to right-of-use assets and lease liabilities of HK\$2,514.6 million (2020 - HK\$37.0 million) and HK\$45.8 million (2020 - HK\$36.8 million), respectively, in respect of lease arrangements for leased properties;
 - (ii) During the year ended 31st December, 2020, the Group received certain listed equity investments in the amount of HK\$40.2 million as dividend income from certain unlisted fund investments;
 - (iii) On 10th January, 2020, the PHL Group completed the disposal of 220,000,000 ordinary shares of Cosmopolitan and the acquisition of 5,674,000 ordinary shares of Class A ordinary shares of AMTD International Inc. (the "AMTD Shares") pursuant to agreements entered on 31st December, 2019 with independent third parties. In the opinion of the directors of PHL, since the acquisition of AMTD Shares and the disposal of ordinary shares of Cosmopolitan were part of the same share transaction, it is appropriate to account for both transactions as if they were one single transaction, and accordingly regarded as a non-cash transaction. The AMTD Shares was recognised as an equity investment designated at fair value through other comprehensive income at a fair value of HK\$374.6 million with a corresponding increase in non-controlling interests and capital reserve in equity; and
 - (iv) On 24th January, 2020, the PHL Group entered into agreements with independent third parties for the disposal of 368,320,000 ordinary shares of Cosmopolitan and the acquisition of 9,500,000 AMTD Shares. The transaction was completed on 29th April, 2020 and the AMTD Shares was recognised as an equity investment designated at fair value through other comprehensive income at a fair value of HK\$834.9 million with a corresponding increase in non-controlling interests and capital reserve in equity;
- (e) Total cash outflow for leases

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

	2021	2020
	HK\$'million	HK\$'million
Within operating activities	5.4	2.6
Within financing activities	41.5	43.0
	46.9	45.6

41. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2021 HK\$'million	2020 HK\$'million
Associates:			
Advertising and promotion fees (including cost reimbursements)	(i)	8.6	2.9
Interest income	(ii)	4.6	7.9
A company owned by a family member of a Director of the Company:			
Rental income	(iii)	0.5	-

Notes:

- (i) 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 RHIHL Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.
- (ii) Details of the interest income from an associate are disclosed in note 17 to the financial statements.
- (iii) The rental income was received from a company owned by a family member of a Director of the Company relating to the lease of a residential unit held by a subsidiary of the Company.

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

- (b) Outstanding balances with related parties:

	Notes	2021 HK\$'million	2020 HK\$'million
Loans to an associate	(i)	447.6	441.0
Due from associates	(i)	110.1	110.1
Due from a related company	(ii)	1.2	1.2
Due to an associate	(iii)	(3.5)	(0.2)
Due to a related company	(iii)	(4.3)	(4.2)

Notes:

- (i) The balances are included in "Investments in associates" in note 17 to the financial statements.
- (ii) The amount is included in "Debtors, deposits and prepayments" in note 27 to the financial statements.
- (iii) The amounts are included in "Creditors and accruals" in note 30 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

	2021 HK\$'million	2020 HK\$'million
Short term employee benefits	51.9	45.8
Staff retirement scheme contributions	3.5	3.1
Total compensation paid to key management personnel	<u>55.4</u>	<u>48.9</u>

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

The related party transactions set out in notes 41(a)(i) and note 41(a)(iii) above also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules to the Company, but are exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval in accordance with the Listing Rules pursuant to rule 14A.76(1)(a) or rule 14A.76(1)(c) of the Listing Rules.

42. PLEDGE OF ASSETS

As at 31st December, 2021, certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$32,168.1 million (2020 - HK\$33,043.8 million) were pledged to secure general 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. In addition, as at 31st December, 2021, certain ordinary shares in a listed subsidiary with a market value of HK\$266.7 million (2020 - HK\$237.8 million) were also pledged to secure general banking facilities granted to the Group.

43. CONTINGENT LIABILITIES

As at 31st December, 2021, the PHL Group had contingent liabilities for corporate guarantees provided in respect of a banking facility granted to an associate in the amount of HK\$357.2 million (2020 - HK\$357.2 million) which was fully utilised. In addition, corporate guarantees were given to certain banks by the PHL Group for demand and performance bonds issued by the banks in relation to certain property development projects amounting to approximately HK\$15.0 million (2020 - HK\$22.9 million) as at 31st December, 2021.

In addition, at the end of the reporting period, the Cosmopolitan Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of its properties amounting to approximately RMB700.7 million (HK\$857.0 million) (2020 - RMB571.5 million (HK\$680.9 million)). The Cosmopolitan Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

No provision has been made in the consolidated financial statements for the guarantees in connection with the mortgage facilities as management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

44. CAPITAL COMMITMENTS

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

	2021 HK\$'million	2020 HK\$'million
Contracted, but not provided for:		
Property development projects	<u>698.5</u>	<u>1,420.1</u>

45. FINANCIAL INSTRUMENTS BY CATEGORY

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

2021

Financial assets

	Financial assets at fair value through other comprehensive income - equity investment HK\$'million	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
Loans to an associate	-	-	447.6	447.6
Amounts due from associates	-	-	7.6	7.6
Equity investments designated at fair value through other comprehensive income	590.5	-	-	590.5
Financial assets at amortised cost	-	-	15.6	15.6
Financial assets at fair value through profit or loss	-	1,083.8	-	1,083.8
Derivative financial instruments	-	26.3	-	26.3
Loans receivable	-	-	247.3	247.3
Trade debtors	-	-	44.7	44.7
Other financial assets included in debtors, deposits and prepayments	-	-	830.9	830.9
Restricted cash	-	-	171.7	171.7
Pledged time deposits and bank balances	-	-	267.7	267.7
Time deposits	-	-	1,066.3	1,066.3
Cash and bank balances	-	-	1,713.1	1,713.1
	<u>590.5</u>	<u>1,110.1</u>	<u>4,812.5</u>	<u>6,513.1</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'million
Trade creditors	45.3
Other financial liabilities included in creditors and accruals	1,027.6
Deposits received	199.1
Lease liabilities	71.9
Interest bearing bank borrowings	20,094.2
	<u>21,438.1</u>

2020

Financial assets

	Financial assets at fair value through other comprehensive income - equity investment HK\$'million	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
Loans to an associate	–	–	441.0	441.0
Amounts due from associates	–	–	9.2	9.2
Equity investments designated at fair value through other comprehensive income	1,132.4	–	–	1,132.4
Financial assets at fair value through profit or loss	–	1,322.0	–	1,322.0
Loans receivable	–	–	381.2	381.2
Finance lease receivables	–	–	6.8	6.8
Trade debtors	–	–	38.4	38.4
Other financial assets included in debtors, deposits and prepayments	–	–	662.2	662.2
Restricted cash	–	–	122.2	122.2
Pledged time deposits and bank balances	–	–	312.4	312.4
Time deposits	–	–	260.3	260.3
Cash and bank balances	–	–	2,666.7	2,666.7
	<u>1,132.4</u>	<u>1,322.0</u>	<u>4,900.4</u>	<u>7,354.8</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss HK\$'million	Financial liabilities at amortised cost HK\$'million	Total HK\$'million
Trade creditors	–	33.2	33.2
Other financial liabilities included in creditors and accruals	–	877.4	877.4
Deposits received	–	160.8	160.8
Lease liabilities	–	66.7	66.7
Interest bearing bank borrowings	–	17,558.3	17,558.3
Other borrowings	–	2,752.7	2,752.7
Derivative financial instruments	17.8	–	17.8
	<u>17.8</u>	<u>21,449.1</u>	<u>21,466.9</u>

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

Fair value hierarchy

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

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

	Fair value measurement using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Equity investments designated at fair value through other comprehensive income	525.2	–	65.3	590.5
Financial assets at fair value through profit or loss:				
Listed equity investments	255.5	–	–	255.5
Listed debt investments	–	73.4	–	73.4
Unlisted equity investments	–	–	146.4	146.4
Unlisted fund investments	–	2.8	597.9	600.7
Unlisted debt investments	–	–	7.8	7.8
Derivative financial instruments	–	26.3	–	26.3
	780.7	102.5	817.4	1,700.6

NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

	Fair value measurement using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Equity investments designated at fair value through other comprehensive income	1,087.0	–	45.4	1,132.4
Financial assets at fair value through profit or loss:				
Listed equity investments	307.8	–	–	307.8
Listed debt investments	–	130.5	–	130.5
Unlisted equity investments	–	–	180.6	180.6
Unlisted fund investments	–	2.7	695.2	697.9
Unlisted debt investments	–	–	5.2	5.2
	<u>1,394.8</u>	<u>133.2</u>	<u>926.4</u>	<u>2,454.4</u>

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

	2021 HK\$'million	2020 HK\$'million
At 1st January	926.4	898.8
Purchases	51.5	83.0
Distributions	(12.9)	(59.4)
Unrealised gains/(losses) recognised in profit or loss	(44.2)	62.0
Disposal	(104.6)	(58.0)
Exchange realignment	1.2	–
At 31st December	<u>817.4</u>	<u>926.4</u>

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

	Fair value measurement using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Derivative financial instruments	–	17.8	–	17.8

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

Valuation techniques

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

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

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

Derivative financial instruments, including interest rate swap, foreign currency swaps and foreign currency forward contracts, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, interest rates and exchange rates.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with floating interest rates. The interest rates and terms of repayment of the Group's interest bearing bank borrowings are disclosed in note 32 to the financial statements. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rate.

For Hong Kong dollar borrowings, assuming the amount of bank borrowings outstanding at the end of the reporting period was outstanding for the whole year, a 100 basis point increase in interest rates would have increased the Group's loss before tax for the current year by HK\$164.0 million (2020 - HK\$147.2 million) and increased the finance costs capitalised by HK\$38.3 million (2020 - HK\$28.0 million). A 10 basis point decrease in interest rates would have decreased the Group's loss before tax for the current year by HK\$16.4 million (2020 - HK\$14.7 million) and decreased the finance costs capitalised by HK\$3.8 million (2020 - HK\$2.8 million).

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

Foreign currency risk

The Group's operations are mainly in Hong Kong and Mainland China. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in currencies that are not the entities' functional currencies.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and entering into foreign currency forward contracts to reduce the exposure should the need arises.

Credit risk

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

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. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31st December, 2021

	12-month ECLs	Lifetime ECLs			Total HK\$'million
	Stage 1 HK\$'million	Stage 2 HK\$'million	Stage 3 HK\$'million	Simplified approach HK\$'million	
Loans to an associate	447.6	–	–	–	447.6
Amounts due from associates	110.1	–	–	–	110.1
Loans receivable					
– Normal [#]	247.3	–	–	–	247.3
Trade debtors*	–	–	–	72.2	72.2
Other financial assets included in debtors, deposits and prepayments					
– Normal [#]	830.9	–	–	–	830.9
Restricted cash					
– Not yet past due	171.7	–	–	–	171.7
Pledged time deposits and bank balances					
– Not yet past due	267.7	–	–	–	267.7
Time deposits					
– Not yet past due	1,066.3	–	–	–	1,066.3
Cash and bank balances					
– Not yet past due	1,713.1	–	–	–	1,713.1
Guarantees given to banks in connection with mortgage facilities provided to certain purchasers of the Group's properties	857.0	–	–	–	857.0
Guarantee given to a bank in connection with a bank borrowing provided to an associate	357.2	–	–	–	357.2
	6,068.9	–	–	72.2	6,141.1

NOTES TO FINANCIAL STATEMENTS (Cont'd)

As at 31st December, 2020

	12-month ECLs	Lifetime ECLs			Total HK\$'million
	Stage 1 HK\$'million	Stage 2 HK\$'million	Stage 3 HK\$'million	Simplified approach HK\$'million	
Loans to an associate	441.0	–	–	–	441.0
Amounts due from associates	110.1	–	–	–	110.1
Loans receivable					
– Normal [#]	381.2	–	–	–	381.2
Trade debtors*	–	–	–	59.5	59.5
Other financial assets included in debtors, deposits and prepayments					
– Normal [#]	662.2	–	–	–	662.2
Restricted cash					
– Not yet past due	122.2	–	–	–	122.2
Pledged time deposits and bank balances					
– Not yet past due	312.4	–	–	–	312.4
Time deposits					
– Not yet past due	260.3	–	–	–	260.3
Cash and bank balances					
– Not yet past due	2,666.7	–	–	–	2,666.7
Guarantees given to banks in connection with mortgage facilities provided to certain purchasers of the Group's properties	680.9	–	–	–	680.9
Guarantee given to a bank in connection with a bank borrowing provided to an associate	357.2	–	–	–	357.2
	<u>5,994.2</u>	<u>–</u>	<u>–</u>	<u>59.5</u>	<u>6,053.7</u>

* For trade debtors to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 27 to the financial statements.

[#] The credit quality of the loans receivable and other financial assets included in debtors, deposits and prepayments is considered to be "normal" when they are not past due and there is no information indicating that the loans receivable and other 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".

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:

	2021		
	Within 1 year or on demand HK\$'million	1 to 5 years HK\$'million	Total HK\$'million
Trade creditors	45.3	–	45.3
Other financial liabilities included in creditors and accruals	961.4	66.2	1,027.6
Lease liabilities	38.3	35.2	73.5
Deposits received	25.6	19.3	44.9
Interest bearing bank borrowings	3,686.0	17,528.8	21,214.8
Guarantees given to banks in connection with mortgage facilities provided to certain purchasers of the Group's properties	857.0	–	857.0
Guarantee given to a bank in connection with a bank borrowing provided to an associate	357.2	–	357.2
	<u>5,970.8</u>	<u>17,649.5</u>	<u>23,620.3</u>

NOTES TO FINANCIAL STATEMENTS (Cont'd)

	2020		
	Within 1 year or on demand HK\$'million	1 to 5 years HK\$'million	Total HK\$'million
Trade creditors	33.2	–	33.2
Other financial liabilities included in creditors and accruals	812.4	65.0	877.4
Lease liabilities	31.5	36.8	68.3
Deposits received	30.7	14.9	45.6
Interest bearing bank borrowings	9,750.8	8,216.1	17,966.9
Other borrowings	2,816.4	–	2,816.4
Guarantees given to banks in connection with mortgage facilities provided to certain purchasers of the Group's properties	680.9	–	680.9
Guarantee given to a bank in connection with a bank borrowing provided to an associate	357.2	–	357.2
	<u>14,513.1</u>	<u>8,332.8</u>	<u>22,845.9</u>

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 19) and equity investments designated at fair value through other comprehensive income (note 18) at the end of the reporting period.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments that are carried at fair value, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for equity investments designated at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve.

	Carrying amount of equity investments HK\$'million	Change in loss before tax HK\$'million	Change in equity* HK\$'million
2021			
Listed investments:			
– Financial assets designated at fair value through other comprehensive income	525.2	–	26.3
– Financial assets at fair value through profit or loss	255.5	12.8	–
Unlisted investments:			
– Financial assets designated at fair value through other comprehensive income	65.3	–	3.3
– Financial assets at fair value through profit or loss	146.4	7.3	–
	<u>146.4</u>	<u>7.3</u>	<u>–</u>

* Excluding retained profits

	Carrying amount of equity investments HK\$'million	Change in loss before tax HK\$'million	Change in equity* HK\$'million
2020			
Listed investments:			
– Financial assets designated at fair value through other comprehensive income	1,087.0	–	54.3
– Financial assets at fair value through profit or loss	307.8	15.4	–
Unlisted investments:			
– Financial assets designated at fair value through other comprehensive income	45.4	–	2.3
– Financial assets at fair value through profit or loss	180.6	9.0	–

* Excluding retained profits

Capital management

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

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

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

	2021 HK\$'million	2020 HK\$'million
Interest bearing bank borrowings and other borrowing	20,094.2	20,311.0
Less: Cash, bank balances and deposits	(3,218.8)	(3,361.6)
Net debt	16,875.4	16,949.4
Total assets	44,881.0	47,246.4
Net debt to total assets ratio	37.6%	35.9%

NOTES TO FINANCIAL STATEMENTS (Cont'd)

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2021 HK\$'million	2020 HK\$'million
NON-CURRENT ASSETS		
Investments in subsidiaries	5,543.6	5,596.8
CURRENT ASSETS		
Deposits and prepayments	0.9	0.8
CURRENT LIABILITIES		
Creditors and accruals	(1.6)	(1.5)
NET CURRENT LIABILITIES	(0.7)	(0.7)
Net assets	5,542.9	5,596.1
EQUITY		
Issued capital	309.4	320.4
Reserves (note)	5,233.5	5,275.7
Total equity	5,542.9	5,596.1

Note:

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

	Share premium account HK\$'million	Contributed surplus HK\$'million	Capital redemption reserve HK\$'million	Retained profits HK\$'million	Total HK\$'million
At 1st January, 2020	1,559.4	1,318.4	4.3	2,420.1	5,302.2
Loss for the year	–	–	–	(5.7)	(5.7)
Final 2019 dividend declared	–	–	–	(20.8)	(20.8)
At 31st December, 2020 and 1st January, 2021	1,559.4	1,318.4	4.3	2,393.6	5,275.7
Repurchase and cancellation of ordinary shares	(38.4)	(11.0)	11.0	–	(38.4)
Loss for the year	–	–	–	(3.8)	(3.8)
At 31st December, 2021	1,521.0	1,307.4	15.3	2,389.8	5,233.5

The contributed surplus represents reserves arising from (i) the group reorganisation in 1989, being the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries at the date of acquisition; and (ii) the Company's capital reorganisation in 2004.

Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders under certain circumstances.

49. APPROVAL OF THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT



To the shareholders of Century City International Holdings Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Century City International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 201, which comprise the consolidated statement of financial position as at 31st December, 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Key audit matter*Impairment assessment of goodwill and certain other non-financial assets*

The Group holds several property development projects in Mainland China and hotel properties in Hong Kong. As at 31st December, 2021, properties under development, properties held for sale and goodwill with an aggregate carrying amount before impairment of HK\$4,390.5 million were allocated to the "PRC property development and investment" cash-generation unit; and hotel properties (included in property, plant and equipment and right-of-use assets) and trademark with an aggregate carrying amount of HK\$21,818.1 million were allocated to the "Hong Kong hotel operation and management and hotel ownership" cash-generating unit.

The impairment assessment of these non-financial assets is significant to our audit due to (i) the significance of the carrying amounts as at 31st December, 2021; and (ii) the determination of the recoverable amounts of the relevant cash-generating units is dependent on a range of inherently subjective estimates, such as estimated selling prices and budgeted costs to complete the property development projects, estimated rental values, estimated room rates, estimated occupancy rates, estimated future cash flows, discount rates and capitalisation rates.

Related disclosures are included in notes 2.4, 3, 22 and 23 to the consolidated financial statements.

How our audit addressed the key audit matter

We discussed the progress of property development projects with management and evaluated the progress by site visit. We also discussed the business plans for hotel properties with management. We involved our internal valuation specialists to assess the assumptions and estimates adopted in discounted cash flow projections prepared by management and valuations performed by external valuers, such as estimated selling prices and budgeted costs to complete the property development projects, estimated rental values, estimated room rates, estimated occupancy rates, estimated future cash flows, discount rates and capitalisation rates. In addition, we have also assessed the independence, objectivity and competence of the external valuers.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young

Certified Public Accountants

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

31st March, 2022

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31st December, 2021

PROPERTIES FOR DEVELOPMENT AND/OR SALE

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(1) Domus and Casa Regalia Nos.65-89 Tan Kwai Tsuen Road, Yuen Long, New Territories, Hong Kong	Residential	Site area for the whole development at Nos.65-89 Tan Kwai Tsuen Road - approx. 11,192 sq. m. (120,470 sq. ft.) Remaining 1 unit and 9 houses (gross floor area - approx. 2,468 sq. m. (26,570 sq. ft.)) and 25 car parking spaces held	Occupation permit issued in November 2015 Certificate of compliance obtained in April 2016	52.7
(2) Mount Regalia, 23 Lai Ping Road, Kau To, Sha Tin, New Territories, Hong Kong	Residential	Site area - approx. 17,476 sq. m. (188,100 sq. ft.) Remaining 109 units and 16 houses (gross floor area - approx. 23,395 sq. m. (251,827 sq. ft.)) and 149 car parking spaces held	Occupation permit issued in September 2018 Certificate of compliance obtained in February 2019	52.7
(3) The Ascent No.83 Shun Ning Road, Sham Shui Po, Kowloon, Hong Kong	Commercial/residential	Site area - approx. 825 sq. m. (8,879 sq. ft.) Remaining 2 commercial units (gross floor area - approx. 652 sq. m. (7,018 sq. ft.)) and 5 car parking spaces held	Occupation permit issued in March 2018 Certificate of compliance obtained in July 2018	52.7

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(4)	Nos.291-293 (interests in over 80% undivided shares) and Nos.301-303 (100% ownership interests) Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong	Commercial/residential	Site area - approx. 488 sq. m. (5,260 sq. ft.) Gross floor area for proposed new development - approx. 4,395 sq. m. (47,307 sq. ft.)	In planning stage	52.7
(5)	Nos.9-19 Kam Wa Street, Shau Kei Wan, Hong Kong	Commercial/residential	Site area - approx. 518 sq. m. (5,580 sq. ft.) Gross floor area for proposed new development - approx. 4,379 sq. m. (47,136 sq. ft.)	Demolition works of existing buildings completed and scheme for new development being finalised	52.7
(6)	Certain apartment units and car and motorcycle parking spaces at Larvotto, 8 Praya Road, Ap Lei Chau, Hong Kong	Primarily residential	Site area for whole development - approx. 16,770 sq. m. (180,511 sq. ft.) Gross floor area of 4 remaining apartment units held - approx. 544 sq. m. (5,857 sq. ft.)	Completed in March 2011	18.7

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(7)	Certain luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Site area for the whole development - approx. 53,126 sq. m. (571,848 sq. ft.) Gross area of 4 remaining houses held - approx. 1,373 sq. m. (14,779 sq. ft.)	Completed in March 2004	43.1
(8)	The Queens No.160 Queen's Road West, Hong Kong	Commercial/residential	Site area - approx. 682 sq. m. (7,342 sq. ft.) Gross floor area - approx. 5,826 sq. m. (62,711 sq. ft.)	Foundation works completed and superstructure works in progress (expected to be completed in 2022)	43.1

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(9)	Nos.227-227A (100% ownership interests) and Nos.227B-227C (interests in over 80% undivided shares) Hai Tan Street, Shum Shui Po, Kowloon, Hong Kong	Commercial/residential	Site area - approx. 431 sq. m. (4,644 sq. ft.) Gross floor area - for proposed new development - approx. 3,770 sq. m. (40,580 sq. ft.)	In planning stage	43.1
(10)	Fabrik Rua Dos Fanqueiros 156, Lisbon, Portugal	Commercial/residential	Gross development area - approx. 1,836 sq. m. (19,768 sq. ft.)	Design for the renovation programme approved Renovation works underway (renovation works expected to be completed by mid 2022)	43.1
(11)	41 Kingsway, London WC2B 6TP, the United Kingdom	Hotel	Gross floor area - approx. 2,150 sq. m. (23,140 sq. ft.) (73 guest rooms)	Renovation works anticipated to be commenced later in 2022	43.1

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(12) Regal Cosmopolitan City at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Hotel/office and commercial complex/residential	<p>Site area for the whole development – approx. 111,869 sq. m. (1,204,148 sq. ft.)</p> <p>Stages one and two</p> <ul style="list-style-type: none"> a 325-room hotel remaining 12 residential units, 25 commercial units and 471 car parking spaces (Total gross floor area – approx. 5,510 sq. m. (59,310 sq. ft.)) (Casa Regalia (Phase 1)) <p>Stage three</p> <ul style="list-style-type: none"> a six-storey commercial complex with gross floor area of approx. 52,500 sq. m. (565,100 sq. ft.) and five towers of office accommodations with gross floor area of approx. 86,000 sq. m. (925,700 sq. ft.) remaining 594 residential units, 25 commercial units and 1,933 car parking spaces (Total gross floor area – approx. 67,352 sq. m. (724,977 sq. ft.)) (Casa Regalia (Phase 2)) 	<p>Stages one and two</p> <ul style="list-style-type: none"> Construction works for 9 residential towers having 1,296 residential units completed in 2017 Hotel portion anticipated to open in phases after the completion of respective fitting-out works <p>Stage three</p> <ul style="list-style-type: none"> The construction works of the commercial and office accommodations in steady progress Superstructure and fitting-out works for 10 residential towers, car parking spaces and commercial accommodations completed in December 2021 	42.0

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(13) Regal Renaissance at the intersection between Weiguo Road and Xinkai Road, Hedong District, Tianjin, PRC	Commercial/ office/ residential	<p>Site area for the whole development – approx. 31,700 sq. m. (341,000 sq. ft.)</p> <ul style="list-style-type: none"> remaining 10 residential units, 500 commercial and office units, and 1,209 car parking spaces (Total gross floor area – approx. 77,182 sq. m. (830,787 sq. ft.)) 	<p>Residential towers, commercial complex and residential car parking spaces completed in 1st quarter of 2018</p> <p>Superstructure works of two office towers and the four-storey commercial podium completed in December 2021</p>	42.0

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

PROPERTIES FOR INVESTMENT

	Description	Use	Lease	Percentage of interest attributable to the Company
(1)	We Go MALL No.16 Po Tai Street, Ma On Shan, Sha Tin, New Territories, Hong Kong	Commercial	Medium term	52.7
(2)	iclub Mong Kok Hotel 2 Anchor Street, Tai Kok Tsui, Kowloon, Hong Kong	Hotel	Long term	52.7
(3)	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	42.0
(4)	5 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Medium term	43.1
(5)	Regala Skycity Hotel 8 Airport Expo Boulevard, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	Medium term	43.1
(6)	Campus La Mola Cami dels Plans de Can Bonvilar s/n, 08227 - Terrassa, Barcelona, Spain	Hotel	Freehold land	43.1

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

	Description	Use	Lease	Percentage of interest attributable to the Company
(7)	Regal Airport Hotel 9 Cheong Tat Road, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	Medium term	32.9
(8)	Regal Hongkong Hotel 88 Yee Wo Street, Causeway Bay, Hong Kong	Hotel	Long term	32.9
(9)	Regal Kowloon Hotel 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong	Hotel	Long term	32.9
(10)	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	32.9
(11)	Regal Riverside Hotel 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong	Hotel	Medium term	32.9

SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

As at 31st December, 2021

	Description	Use	Lease	Percentage of interest attributable to the Company
(12)	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	32.9
(13)	iclub Fortress Hill Hotel 18 Merlin Street, North Point, Hong Kong	Hotel	Long term	32.9
(14)	iclub Sheung Wan Hotel 138 Bonham Strand, Sheung Wan, Hong Kong	Hotel	Long term	32.9
(15)	iclub Ma Tau Wai Hotel 8 Ha Heung Road, To Kwa Wan, Kowloon, Hong Kong	Hotel	Long term	32.9
(16)	iclub AMTD Sheung Wan Hotel No.5 Bonham Strand West, Sheung Wan, Hong Kong	Hotel	Long term	26.4

PUBLISHED FIVE YEAR FINANCIAL SUMMARY

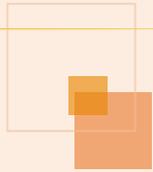
A summary of the results and of the assets, liabilities, perpetual securities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31st December,				
	2021 HK\$'million	2020 HK\$'million	2019 HK\$'million	2018 HK\$'million	2017 HK\$'million
Revenue	<u>4,019.0</u>	<u>1,455.8</u>	<u>2,908.2</u>	<u>5,908.8</u>	<u>3,620.8</u>
Operating profit/(loss)	(92.1)	(853.5)	912.4	985.7	1,212.2
Finance costs	(363.1)	(403.4)	(576.2)	(436.0)	(309.4)
Share of profits and losses of associates	<u>11.6</u>	<u>4.8</u>	<u>17.2</u>	<u>(2.3)</u>	<u>(32.7)</u>
Profit/(Loss) before tax	(443.6)	(1,252.1)	353.4	547.4	870.1
Income tax	(201.4)	<u>9.3</u>	<u>(27.4)</u>	<u>(144.9)</u>	<u>(91.5)</u>
Profit/(Loss) for the year before allocation between equity holders of the parent and non-controlling interests	<u>(645.0)</u>	<u>(1,242.8)</u>	<u>326.0</u>	<u>402.5</u>	<u>778.6</u>
Attributable to:					
Equity holders of the parent	(296.8)	(539.7)	174.9	174.8	381.2
Non-controlling interests	(348.2)	(703.1)	151.1	227.7	397.4
	<u>(645.0)</u>	<u>(1,242.8)</u>	<u>326.0</u>	<u>402.5</u>	<u>778.6</u>

ASSETS, LIABILITIES, PERPETUAL SECURITIES AND NON-CONTROLLING INTERESTS

	31st December,				
	2021 HK\$'million	2020 HK\$'million	2019 HK\$'million	2018 HK\$'million	2017 HK\$'million
Property, plant and equipment	7,035.0	9,291.2	8,683.2	22,974.2	22,676.2
Investment properties	3,209.2	3,357.7	3,577.6	3,782.3	3,445.2
Right-of-use assets	16,135.4	13,989.3	14,391.2	–	–
Properties under development	869.9	867.4	1,772.1	2,227.7	2,075.3
Investments in associates	457.1	482.5	583.1	8.2	24.5
Financial assets designated at fair value through other comprehensive income	590.5	1,132.4	–	–	–
Available-for-sale investments	–	–	–	–	447.7
Financial assets at fair value through profit or loss	718.2	848.0	901.3	694.4	1.9
Loans receivable	234.3	258.1	228.6	133.1	111.9
Finance lease receivables	–	–	8.2	22.8	35.1
Debtors, deposits and prepayments	280.7	258.3	323.1	407.4	101.4
Deferred tax assets	47.7	50.1	47.5	42.9	51.7
Other assets	0.1	0.1	0.2	0.2	0.2
Goodwill	–	261.0	261.0	261.0	261.0
Trademark	610.2	610.2	610.2	610.2	610.2
Other intangible assets	3.6	0.7	2.0	–	–
Current assets	<u>14,689.1</u>	<u>15,839.4</u>	<u>15,514.3</u>	<u>14,164.7</u>	<u>16,258.2</u>
Total assets	<u>44,881.0</u>	<u>47,246.4</u>	<u>46,903.6</u>	<u>45,329.1</u>	<u>46,100.5</u>
Current liabilities	(6,659.9)	(16,165.0)	(4,953.2)	(5,854.2)	(9,971.3)
Creditors and deposits received	(85.5)	(79.9)	(87.8)	(75.3)	(76.7)
Lease liabilities	(34.8)	(36.4)	(37.9)	–	–
Interest bearing bank borrowings	(16,764.7)	(8,030.7)	(15,365.2)	(12,712.2)	(9,142.0)
Other borrowings	–	–	(2,716.7)	(2,725.9)	(2,713.7)
Deferred tax liabilities	(1,723.6)	(1,843.3)	(1,913.1)	(1,973.2)	(2,048.5)
Total liabilities	<u>(25,268.5)</u>	<u>(26,155.3)</u>	<u>(25,073.9)</u>	<u>(23,340.8)</u>	<u>(23,952.2)</u>
Perpetual securities	<u>(1,730.1)</u>	<u>(1,730.1)</u>	<u>(1,732.9)</u>	<u>(1,732.9)</u>	<u>(1,732.9)</u>
Non-controlling interests	<u>(9,903.9)</u>	<u>(10,778.8)</u>	<u>(11,090.9)</u>	<u>(11,260.6)</u>	<u>(11,400.1)</u>



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