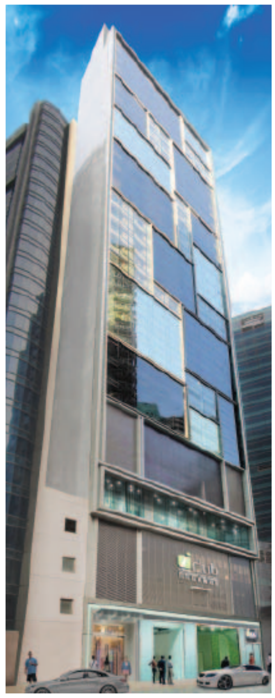
# 2014 ANNUAL REPORT





百利保控股有限公司
Paliburg Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code : 617)

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# Corporate Information

## DIRECTORS

***Executive Directors***
Lo Yuk Sui
(Chairman and Chief Executive Officer)
Jimmy Lo Chun To
(Vice Chairman and Managing Director)
Donald Fan Tung
(Chief Operating Officer)
Lo Po Man
Kenneth Ng Kwai Kai
Kenneth Wong Po Man

***Independent Non-Executive Directors***
Bowen Joseph Leung Po Wing, GBS, JP
Ng Siu Chan
Abraham Shek Lai Him, GBS, JP
Wong Chi Keung

## AUDIT COMMITTEE

Wong Chi Keung (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Ng Siu Chan
Abraham Shek Lai Him, GBS, JP

## REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)
Lo Yuk Sui
Ng Siu Chan

## NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Ng Siu Chan
Abraham Shek Lai Him, GBS, JP
Wong Chi Keung

## SECRETARY

Eliza Lam Sau Fun

## AUDITORS

Ernst & Young

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
Standard Chartered Bank (Hong Kong) Limited
Australia and New Zealand Banking Group Limited
United Overseas Bank Limited, Hong Kong Branch

## PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building, 69 Pitts Bay Road
Pembroke HM08, Bermuda

## BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## REGISTERED OFFICE

The Belvedere Building, 69 Pitts Bay Road
Pembroke HM08, Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street
Causeway Bay, Hong Kong
Tel: 2894 7888
Fax: 2890 1697
Website: www.paliburg.com.hk

# Directors' Profile

***Mr. Lo Yuk Sui,*** *aged 70; Chairman and Chief Executive Officer* — Chairman and Managing Director since 1993 and designated as the Chief Executive Officer in 2007. Mr. Lo has been the managing director and the chairman of the predecessor listed companies of the Group since 1984 and 1986, respectively. He is also the chairman and the chief executive officer of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, Regal Hotels International Holdings Limited ("RHIHL") and Cosmopolitan International Holdings Limited ("Cosmopolitan"), both 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. Jimmy Lo Chun To,*** *aged 41; Vice Chairman and Managing Director* — Appointed to the Board in 1999. Mr. Jimmy Lo has been a Vice Chairman and Managing Director of the Company since 2013. He is also an executive director and a vice chairman of CCIHL, 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. Jimmy Lo graduated from Cornell University, New York, the United States with a Degree in Architecture. He joined the Century City Group in 1998. Mr. Jimmy Lo is primarily involved in overseeing the Group's property projects in the People's Republic of China (the "PRC") and, in addition, undertakes responsibilities in the business development of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

***Mr. Donald Fan Tung,*** *aged 58; Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as the Chief Operating Officer in 2007. Mr. Fan has been with the Group since 1987 and is principally involved in the Group's property development, architectural design and project management functions as well as overseeing the building construction business of the Group. Mr. Fan is a qualified architect. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML.

***Mr. Bowen Joseph Leung Po Wing,*** *GBS, JP, aged 65; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing ("Beijing Office") in November 2005. Mr. Leung joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is an independent non-executive director and a member of the Audit Committee of North Asia Resources Holdings Limited and Quali-Smart Holdings Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He also acts as special consultant to the board of directors of Sands China Limited, which is a company listed on the Stock Exchange.

***Miss Lo Po Man,*** *aged 35; Executive Director* — Appointed to the Board in 2007. Miss Lo is an executive director and a vice chairman of CCIHL, an executive director, the 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 joined the RHIHL group in 2000 and is an experienced executive in sales and marketing and corporate management. She graduated from Duke University, North Carolina, the United States, with a Bachelor's Degree in Psychology. She oversees the sales and marketing functions 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. Kenneth Ng Kwai Kai,*** *aged 60; Executive Director* — Appointed to the Board in 1995. Mr. Ng is also an executive director and the chief operating officer of CCIHL, an executive director of RHIHL and Cosmopolitan, and a non-executive director of RPML. He has been with the Group since 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. Ng Siu Chan****, aged 84; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 1995. Mr. Ng is also an independent non-executive director of CCIHL and RHIHL. He is a non-executive director of Transport International Holdings Limited, which is a company listed on the Stock Exchange.

***Hon Abraham Shek Lai Him****, GBS, JP, aged 69; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2002. He is also an independent non-executive director of Cosmopolitan and RPML. Mr. Shek holds a Bachelor's Degree of Arts. He is currently a member of the Legislative Council of the Hong Kong Special Administrative Region. He is also a member of the Court of The Hong Kong University of Science and Technology, a member of both of the Court and the Council of The University of Hong Kong, a director of The Hong Kong Mortgage Corporation Limited and a non-executive director of the Mandatory Provident Fund Scheme Authority. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, Dorsett Hospitality International Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited and SJM Holdings Limited, and an independent non-executive director of Hop Hing Group Holdings Limited, Lai Fung Holdings Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

***Mr. Wong Chi Keung**, aged 60; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and RHIHL. He holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited under the 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 International Group Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, ENM Holdings Limited, Golden Eagle Retail Group Limited, TPV Technology Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 31 years of experience in finance, accounting and management.

***Mr. Kenneth Wong Po Man**, aged 49; Executive Director* — Appointed to the Board in 2007. Mr. Wong is a qualified architect. He graduated from The University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor's Degree of Architecture. He also holds a Master of Science Degree in Real Estates from The University of Hong Kong. Mr. Wong has been with the Group for over 20 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance. Mr. Wong is also an executive director and the chief operating officer of Cosmopolitan.

# Chairman's Statement

Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2014.

## FINANCIAL RESULTS

For the year ended 31st December, 2014, the Group achieved a consolidated profit attributable to shareholders of HK$283.7 million, as compared to the profit of HK$322.9 million recorded for 2013.

Business operations of the Group for the year under review have on the whole performed satisfactorily and attained operating profit before depreciation, finance costs and tax of HK$1,163.2 million (2013 – HK$1,209.6 million, which included the gain of HK$136.2 million from the sale of the Tianjin Project by Regal Hotels International Holdings Limited, a listed subsidiary of the Group, to Cosmopolitan International Holdings Limited, prior to its becoming a subsidiary of the Group). As previously explained, the hotel properties owned by Regal Real Estate Investment Trust, the listed subsidiary of Regal, are classified in the Group's financial statements as property, plant and equipment and are subject to depreciation charges. Consequently, depreciation charges in an aggregate amount of HK$472.6 million have thus been provided in the Group's financial statements for the year which, though having no impact on the Group's cash flow, have nonetheless adversely affected the reported profit.

## BUSINESS OVERVIEW

Following the implementation of a series of corporate transactions over the course of the past two years, the corporate and asset holding structure of the Group has been clearly delineated. Regal, the most significant subsidiary of the Company, is principally engaged in the hotel operating business and is also the joint venture partner with the Company in P&R Holdings Limited, each owning a 50% shareholding interest. Regal also holds a controlling interest in Regal REIT, which is principally engaged in hotel ownership and leasing businesses. The Group's core property development and investment businesses in Hong Kong are now primarily undertaken through P&R Holdings, while those in the People's Republic of China are undertaken through Cosmopolitan, a listed subsidiary of the Group held through P&R Holdings.

The Group has further increased its shareholding interest in Regal from 58.2% as at 31st December, 2013 to 64.9% as at 31st December, 2014, through market purchases by the Group and share buybacks by Regal. Due to the substantial discount of the traded market price of the shares of Regal to its underlying asset value, these purchases and buybacks have effectively enhanced the underlying net asset value of the shares of the Company. As at 31st December, 2014, the net asset value per share of the Company amounted to HK$11.72, as compared to HK$10.90 as at the preceding year end.

Further information on the latest progress of the Group's property business as well as the financial results and operational review of Regal (including those of Regal REIT) and Cosmopolitan are presented below.

## PROPERTIES

During the year under review, newly built smaller-sized residential apartment units in Hong Kong continued to be in strong demand, while the property market for the other sectors as a whole has been affected by the hefty stamp duty levied by the Government, particularly for non-local residents. The Government of Hong Kong plans to maintain a steady supply of development lands, in an attempt to balance the supply and demand, through government land tenders. Like in the past, the Group will continue to actively participate in these government tenders, primarily through P&R Holdings.

As mentioned in the 2014 Interim Report, P&R Holdings have completed the disposals of two of its hotel developments, namely, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, to Regal REIT in February and July of 2014, respectively, for an aggregate consideration of HK$3,232.5 million. These disposals have generated significant cash flow to P&R Holdings, but the substantial profits pertaining to these disposals have not been reflected in the Group's financial statements for the year under review due to elimination in accordance with the accounting standards under the current corporate holding structure.

There are six ongoing development projects currently undertaken by P&R Holdings, which are, respectively, in the order of their scheduled completion, a residential project in Yuen Long, a hotel project in To Kwa Wan, a residential project in Kau To, Shatin, a shopping mall development in Ma On Shan, a commercial/residential joint venture development project with the Urban Renewal Authority of Hong Kong in Sham Shui Po and another hotel project in Sheung Wan.

The residential project at Tan Kwai Tsuen Road in Yuen Long is expected to be completed in the second quarter of this year. The project provides a total of 170 residential units, comprising 36 luxurious garden houses and 134 studio apartment units. The application for the presale consent has been submitted, which is anticipated to be issued in the near future. The presale programme for the apartment units is planned to be launched shortly after the presale consent is obtained, to be followed by the garden houses.

Further details on the development projects and properties of P&R Holdings as well as the Group's construction and building related business and other investments are contained in the section headed "Management Discussion and Analysis" in this Annual Report.

## REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2014, Regal achieved a consolidated profit attributable to shareholders of HK$410.3 million, an increase of approximately 60% as compared to the profit of HK$256.9 million attained in 2013.

During the year under review, the core hotel operations of the Regal group continued to attain satisfactory performance, despite some adverse effects on the business operations of certain of its hotels during the "Occupy Central" activity in the last quarter of 2014, which was traditionally the high season for the hotel sector. The operating profit before depreciation, finance costs and tax of Regal for the year amounted to HK$1,160.4 million, as compared to HK$1,058.3 million for the preceding year. Depreciation charges on its hotel properties amounted to HK$420.7 million in 2014 which, though not of a cash nature, have nonetheless adversely affected its reported profit.

## BUSINESS OVERVIEW

### HOTELS

#### MARKET OVERVIEW

During the year under review, the worldwide economy showed signs of divergence. In late October 2014, the US Federal Reserve officially ended the "QE3", in the light of a gradual recovery in the US economy; while the economies in the Eurozone and Japan remained stagnant. In the PRC, Gross Domestic Product (GDP) increased by 7.4% year-on-year, representing a drop of 0.3% as compared to the preceding year. Meanwhile, the GDP of Hong Kong increased moderately by 2.3%, but reflecting a negative growth of about 0.6% as compared to 2013.

In 2014, visitor arrivals to Hong Kong surged by 12.0% year-on-year to a total of over 60.8 million, with visitors from the Mainland China accounting for more than 77% of the total count. More than half of the visitor arrivals were same day visitors, which have no direct impact on the local hotel sector. Based on a hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories for 2014 was 90%, a year-on-year increase of 1% over 2013, while the industry-wide achieved average room rate recorded a slight upward adjustment of 1.8%.

### HOTEL OWNERSHIP

#### REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2014, the Regal group held approximately 74.6% 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, 2014, Regal REIT achieved a consolidated net profit before distributions to unitholders of HK$238.5 million, as compared to HK$342.6 million recorded for the year 2013. The decrease in its consolidated net profit reported for 2014 was attributable to an accounting loss of HK$266.9 million arising mainly from the fair value changes in the appraised values of the five initial Regal Hotels between the two year end dates, having taken into account the amount of capital expenditure incurred. If the effects of these fair value changes are excluded, the core profit before distributions to unitholders for the year under review would amount to HK$505.4 million, representing an increase of 16.6% over the corresponding amount of HK$433.3 million for the year 2013. Benefitting from the increased rental income, including the new rental receipts from the two latest iclub Hotels in Sheung Wan and Fortress Hill acquired in 2014, the total distributable income of Regal REIT for the year under review amounted to HK$532.9 million, which was an increase of 7.2% over the HK$497.1 million reported last year.

The five initial Regal Hotels in Hong Kong, as well as the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel both acquired in 2014, are leased to a wholly owned subsidiary of the Regal group. The iclub Wan Chai Hotel – which is owned and self-operated by Regal REIT, continued to enjoy strong demand and maintained virtually full occupancy for the second consecutive year, although its average room rate was modestly down by 2.6% due to keen competition within the Wan Chai area.

The latest acquisitions by Regal REIT have increased the coverage of its hotel property portfolio on select-service hotels in strategic locations, enabling it to capture a wider range of business and leisure visitors. Regal REIT now owns a total of eight operating hotels in Hong Kong, boosting an aggregate of 4,569 guestrooms and suites.

The amendments to the Code on Real Estate Investment Trusts proposed by the Securities and Futures Commission, which will allow REITs in Hong Kong to undertake property development activities and to invest in certain financial instruments subject to prescribed thresholds and control measures, became effective from 29th August, 2014. Accordingly, the REIT Manager has proposed corresponding changes to the Trust Deed constituting Regal REIT which, if approved by the unitholders of Regal REIT at its extraordinary general meeting to be held on 14th April, 2015, will provide flexibility to Regal REIT with an expanded investment scope in line with the amendments to the REIT Code. Details of the proposed changes are contained in a circular to the unitholders of Regal REIT dated 13th March, 2015.

**HOTEL OPERATIONS**

The Regal group's hotel operations enjoyed positive growth during the first nine months of 2014, but the hotel business was unfortunately affected by the "Occupy Central" activity from late September to mid-December 2014, which was traditionally the high season. Nevertheless, the combined average occupancy rate for the five initial Regal Hotels for the year 2014 as a whole was maintained at 92.4% as compared to 90.2% in 2013, while the average room rate enhanced by 2.6% year-on-year, both outperforming the industry average. The total net property income generated by these hotels for the year amounted to HK$918.1 million, which represented an excess of HK$175.1 million over the aggregate annual base rent of HK$743.0 million, 50% of which was attributable to Regal REIT as variable rent.

As mentioned above, the wholly owned lessee of the five initial Regal Hotels has also leased the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel from Regal REIT for hotel operations. These two hotels commenced business operations in June and September 2014, and maintained for the period to 31st December, 2014 an occupancy level of about 90.0% and 82.3%, respectively, which could be considered as satisfactory for new starters, taking into consideration the impact of the "Occupy Central" activity. Under the agreed arrangements with P&R Holdings, which was the vendor of the hotels, any shortfall in the income from the operation of the two hotels below the lease payments payable by the lessee during the first three years of the lease term will be fully reimbursed by P&R Holdings.

The rental review for the leasing of the five initial Regal Hotels for 2015 was completed in August 2014. The aggregate annual base rent for 2015 has been determined at HK$763.0 million, reflecting a moderate increase of 2.7% over the annual base rent of HK$743.0 million for 2014, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income of the initial hotels over the aggregate base rent.

The existing leases of these five hotels are due to expire on 31st December, 2015. The Regal group has recently entered into various conditional supplemental agreements with Regal REIT, essentially to extend the lease term to 31st December, 2020, with the Market Rental Packages for the extended term continuing to be determined annually by a jointly appointed independent professional property valuer. The lease extensions are subject to approval by the independent unitholders of Regal REIT at its EGM on 14th April, 2015. Detailed information regarding these lease extensions is also contained in the circular to the unitholders of Regal REIT dated 13th March, 2015.

Hotel ownership business within the Regal group is, and will continue to be, principally conducted through Regal REIT, but under its current investment strategy, Regal REIT would normally acquire only those hotel and property assets that are income producing and yield accretive. In October 2014, the Regal group acquired, through a wholly owned subsidiary, the La Mola Hotel & Conference Centre located in Barcelona, Spain, a property that was incurring operating loss and in a distressed financial situation. The property is a 4-star luxury hotel completed in 2008 with about 186 rooms situated on the outskirts of Barcelona neighbouring a major category golf course. The property is now operating under the management of the Regal group and a revamping programme for this property is being planned. As the hotel was acquired by the Regal group at a price significantly below its replacement cost and the independent market valuation, a gain on bargain purchase of approximately HK$35.0 million arising from this acquisition has been accounted for in the financial results for the year under review.

The Regal group will continue to invest resources in the enhancement of the marketing network and internet connectivity of its hotels, with the aim to increasing the share of the online bookings through our own reservation platform, which could further improve profit margins.

**HOTEL MANAGEMENT**

All the five full-service Regal Hotels as well as the three select-service iclub hotels operating in Hong Kong are managed by Regal Hotels International Limited, the wholly owned management arm of the Regal group in Hong Kong.

The Regal group is managing six operating hotels in the PRC, four in Shanghai, one in Dezhou and the latest one, the Regal Airport Hotel, Xi'an, which was soft opened in February 2015. Three more hotels to be managed by the Regal group are scheduled to be opened later within this year, respectively, the Regal Kangbo Hotel and Residence in Dezhou, the Regal Financial Center Hotel in Foshan and the iclub Yuhong Hotel in Zhengzhou, while six other hotels will be in the pipeline for opening in 2016 and 2017.

As mentioned above, the Regal group is also directly managing the La Mola Hotel & Conference Centre in Barcelona.

**PROPERTIES**

The Regal group directly owns a 50% equity interest in P&R Holdings, the joint venture established with the Company primarily to undertake property development business.

The Regal group still owns 19 luxury garden houses in Regalia Bay, Stanley, which command substantial values. Due to the hefty transaction duties imposed by the Government, the property market for the high end residential sector in Hong Kong was relatively weak as compared to the lower end sector. Given the scarcity of supply of garden houses on the Hong Kong Island, the Regal group is hopeful that the values of the retained houses in Regalia Bay will gradually appreciate. In the meantime, 4 of these retained houses are under leases to external parties for rental income.

### OTHER INVESTMENTS

The Regal group maintains a sizable portfolio of listed securities and other investments, including the investment in approximately 10% of the issued shares of Asia Standard Hotel Group Limited, a company listed in Hong Kong principally engaged in hotel and investment businesses.

The Regal group has over the past two years been actively working to expand its investments in the aircraft leasing business, with a view to supplementing its earnings base with an additional recurrent income stream. The Regal group first acquired in December 2012 an Airbus A321-211 and then in July 2013, through an 85% owned subsidiary, another Airbus A321-200. The two aircraft have been leased to two separate airline operators yielding satisfactory lease income.

More recently, in September 2014, the Regal group entered into a Proposal Letter with a third party seller that is a wholly owned subsidiary of Embraer S.A., an aircraft manufacturer, for the proposed acquisition of a fleet of eighteen passenger aircraft manufactured by Embraer S.A.. After further negotiations with the seller based on the terms of the Proposal Letter and the subsequent Purchase Agreement, the Regal group has completed in February 2015 the acquisition of twelve Embraer aircraft, out of the original fleet of eighteen aircraft, at an adjusted aggregate purchase price of US$34.5 million. All these twelve aircraft are under leases to different airline operators operating in South Africa, the United States of America, Lithuania, Australia and Mexico, with lease rentals fixed at satisfactory levels. Detailed information regarding this acquisition is contained in the various joint announcements on this subject matter recently published by the Company.

The Regal group may consider investing further in the aircraft leasing business if and when there are appropriate investment opportunities.

## COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2014, Cosmopolitan recorded a consolidated loss attributable to shareholders of HK$127.4 million, as compared to a loss of HK$88.2 million for the nine months ended 31st December, 2013.

The loss incurred for the year under review was principally attributable to the finance costs arising from the interest accruing on the balance consideration payable for the acquisition of the Chengdu Project and the increased administrative and other overhead costs associated with the development of the Chengdu Project as well as the Tianjin Project, both acquired in September 2013.

### BUSINESS OVERVIEW

As reported in the 2014 Interim Report, Cosmopolitan first announced an open offer of shares in conjunction with a share consolidation in April 2014. The open offer was very well received, with applications from qualifying shareholders accounting for approximately 89.8% of the shares available for subscription and with applications for excess shares exceeding 24 times of the total shares available for subscription under excess application. The open offer was closed in August 2014 and new equity funds of approximately HK$439.8 million have thus been raised, which have been applied by the Cosmopolitan group for the injection of additional capital in one of its subsidiaries incorporated in the PRC and for general working capital.

Contemporaneously upon the closing of the open offer, P&R Holdings completed the Subscription Agreement entered into with Cosmopolitan in April 2014 to subscribe for convertible bonds of the Cosmopolitan group in the principal amount of HK$500 million and was granted an option to subscribe for optional convertible bonds up to an aggregate principal amount of HK$500 million. The issue of the convertible bonds could potentially further enhance the capital base of Cosmopolitan, while the funds received have been used to repay some of the Cosmopolitan group's indebtedness bearing higher interest rates, thereby reducing its interest expenses in the meantime. Detailed information regarding the terms and conditions of the convertible bonds and the optional convertible bonds was contained in the circular of Cosmopolitan dated 20th June, 2014.

The Cosmopolitan group's principal businesses are now focused on property development and investments in the PRC. During the year under review, the property market as well as the overall economy in the PRC has generally slowed down. Adapting to this changing market environment, the Cosmopolitan group has made some adjustments to the development programme of some of its development projects. Detailed information regarding the Cosmopolitan group's ongoing development projects in Chengdu and Tianjin and the reforestation project in Xinjiang as well as the latest status on the two proposed projects in Wuxi and in Tongzhou, Beijing is contained in the section headed "Management Discussion and Analysis" in this Annual Report.

## OUTLOOK

### REGAL GROUP

In order for the tourism industry in Hong Kong to continue to flourish, the support from the Hong Kong Government and its continuing commitment to invest in infrastructural developments are most crucial. In addition to the projects under construction, such as the Hongkong-Zhuhai-Macao Bridge and the 26-km long Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link which promote expedient connections with Macao and the Mainland, the Government is expanding the local mass transportation railway network by building the West Island line, the South Island line and the Shatin to Central Link and has just approved the construction of a third runway at the Hong Kong International Airport. The Government is also carrying out infrastructure work at the former Kaitak airport area to tie in with the development of the "hotel belt" adjacent to the Kai Tak Cruise Terminal. At the same time, both theme parks in Hong Kong, Disneyland and Ocean Park, are pressing ahead with expansion plans. All these infrastructural and tourism developments will have significant and positive contributions to the tourism and hospitality sectors in Hong Kong.

Regal REIT is hopeful that the Hong Kong Government will continue to commit sufficient resources to enhance and upgrade its infrastructural facilities, to ensure that Hong Kong will have sufficient capacities to accommodate and serve the demands of an increasing number of global and regional visitors to Hong Kong, maintaining its long-held reputation as a much favoured shopping, sightseeing and entertainment destination. The REIT Manager is optimistic that the tourism and hotel markets in Hong Kong will continue to prosper, albeit there could be some short term ripples. Being the only listed hospitality REIT with market concentration in Hong Kong, the REIT Manager is committed to maintaining Regal REIT's leading position as one of the pre-eminent hotel owners in Hong Kong. The REIT Manager will actively search for new business opportunities that will generate good investment returns and long term capital appreciation.

The recent incidents in Hong Kong directed against visitors from Mainland have aroused some negative publicity and widespread concerns. As one of the indicators on the level of economic activities, the volume of retail sales in Hong Kong has shrunk by about 14.6% year-on-year in January 2015, based on the statistics released by the Hong Kong Government. However, with the Regal group's hotels distributed in different strategic locations, catering to a wide spectrum of business and tourist clientele, the business operations of its hotels have on the whole attained steady performance during the first two months of 2015. The Regal group is confident that Hong Kong will be able to maintain its position as an international financial centre and a favoured tourist destination and management of Regal remains positive on the outlook of the hotel business in Hong Kong.

The Regal group has a very solid asset base with a strong recurring income stream and is well placed to meet any potential challenges. The Regal group will continue to pursue, with prudence, suitable business expansion opportunities that will be beneficial to the Regal group in sustaining further growth.

## COSMOPOLITAN GROUP

The central government of China has projected that the gross domestic product in the PRC for 2015 will grow by 7%, as compared to 7.4% in 2014, despite the prevailing uncertainties in some overseas economies and the geopolitical tensions in some regions like the Middle East and Eastern Europe. Although the forecast growth rate in the GDP of the PRC for 2015 is the lowest as compared to recent years, it is still much more favourable than those projected for most of the major economies.

The Cosmopolitan group is optimistic that the economic development in the PRC in the long term will continue to be strong and is confident that the ongoing development projects undertaken by the Cosmopolitan group will generate substantial cash flow and satisfactory profits when they are gradually completed.

## PALIBURG GROUP

The Government of Hong Kong has implemented various initiatives to curb speculative investments in the property market in Hong Kong. However, the buoyant market condition currently prevailing in the primary residential sector in Hong Kong has mainly been driven by the penned up demand from end users, prompted by the low interest rate environment. Although there could be some consolidations when the low interest rate environment changes, the Group anticipates that the property market in Hong Kong will continue to grow steadily and will seek further appropriate opportunities to strengthen its development property portfolio.

The property projects undertaken by P&R Holdings in Hong Kong, as well as the property projects undertaken by Cosmopolitan in the PRC, are scheduled for completion over the course of the next few years. While most of the projects will be sold, which are expected to generate significant cash flow and profit contribution, certain of these projects might be retained for rental income to reinforce the Group's recurrent revenue base.

Overall, the Directors are optimistic of the continuing prospects of the Group as a whole.

## DIRECTORS AND STAFF

Finally, I would like to express my gratitude to my fellow members on the Board for their valuable contribution as well as to all management and staff members for their dedicated efforts over the past year.

**LO YUK SUI**
Chairman

Hong Kong
24th March, 2015


■ Residential development at Lot No. 4309 in Demarcation District No. 124, Tan Kwai Tsuen Road, Yuen Long, New Territories - nearing completion

## RESIDENTIAL / COMMERCIAL DEVELOPMENTS

### HONG KONG

* Artist impression

■ Domus, the apartment units in the residential development at Tan Kwai Tsuen Road, Yuen Long (*)

■ Swimming pool in the clubhouse of the residential development at Tan Kwai Tsuen Road, Yuen Long (*)

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

# RESIDENTIAL / COMMERCIAL DEVELOPMENTS

## HONG KONG

* Artist impression

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

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

# HOTEL DEVELOPMENTS
## HONG KONG


■ iclub Fortress Hill Hotel at Nos. 14 - 20 Merlin Street, North Point - completed and commenced operations in 2014


■ iclub Sheung Wan Hotel at Nos. 132 - 140 Bonham Strand, Sheung Wan - completed and commenced operations in 2014

# HOTEL DEVELOPMENTS
## HONG KONG

■ Hotel development at Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon - superstructure works in progress (*)

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

* Artist impression

# COMPOSITE DEVELOPMENT
## CHENGDU • MAINLAND CHINA

■ Commercial towers in the first stage of the composite development in Xindu District, Chengdu, Sichuan (*)
* Artist impression

■ Three residential towers in the first stage of the composite development - superstructure works in progress

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

■ Lobby of Regal Xindu Hotel (*)

# COMPOSITE DEVELOPMENT

## TIANJIN • MAINLAND CHINA


■ A composite commercial / office / residential development in a prime district in Tianjin (*)

■ Lobby of the residential block in the composite development (*)

■ The interior of a residential apartment in the composite development (*)

* Artist impression

■ Piling works for the composite development in Tianjin already completed

# Management Discussion and Analysis

## 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 and other investments including financial assets investments, and aircraft ownership and leasing business.

The significant investments and business interests of Regal Hotels International Holdings Limited ("RHIHL"), a principal listed subsidiary of the Group, comprise hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings and the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses (including aircraft ownership and leasing business). Cosmopolitan International Holdings Limited ("Cosmopolitan") is a listed subsidiary of the Group held through P&R Holdings. The principal business activities of the Cosmopolitan group comprise property development and investment, mainly focused in the PRC, and financial assets and other investments.

The performance of the Group's property, construction and building related and other investment businesses, and the principal businesses of RHIHL, Regal REIT as well as those of Cosmopolitan during the year under review, the commentary on the hotel and property sectors in which the Group operates and the changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the preceding Chairman Statement and in this Management Discussion and Analysis.

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.

## P&R HOLDINGS LIMITED

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

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

### Hong Kong

Apart from the Shun Ning Road development project in Sham Shui Po, Kowloon, which is being undertaken pursuant to a joint venture contract awarded by the Urban Renewal Authority of Hong Kong, all of the following ongoing development projects and properties are wholly owned by P&R Holdings group.

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

This residential project has a site area of approximately 11,192 square metres (120,470 square feet) and will provide a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 studio units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The superstructure works have been completed and the occupation permit is expected to be issued in the second quarter of 2015. The application for presale consent has been submitted. The presale programme for the apartment units will first be launched when the presale consent is obtained, to be followed by the garden houses.

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

The properties have an aggregate site area of approximately 345 square metres (3,710 square feet) and are planned for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). The foundation works have been completed but due to some technical difficulties encountered in relation to the adjoining party wall, the progress of the construction works has been delayed.

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

The properties have an aggregate site area of approximately 700 square metres (7,535 square feet) and is being developed into a hotel with 340 guestrooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet) and covered floor area of approximately 9,490 square metres (102,160 square feet). The foundation works have been completed and the superstructure works are progressing smoothly. This hotel development project is scheduled to be completed in the first half of 2016.

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

This development site has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site is planned to be developed into a shopping mall and the general building plans have been approved. The foundation works have already commenced and are expected to be completed before the end of 2015. The project is scheduled to be completed in 2017 and is intended to be retained for rental income.

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

The project has a site area of 17,476 square metres (188,100 square feet) and is planned for a luxurious residential development comprising 7 mid-rise apartment blocks with about 134 units, 24 detached garden houses and 198 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The general building plans for the development have been approved and the site formation works and foundation works have commenced in the first quarter of 2015. This development is scheduled to be completed in 2017.

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

This is a joint venture project awarded by the Urban Renewal Authority of Hong Kong through a tender process in March 2014. The land has a site area of 824.9 square metres (8,879 square feet) and is planned for a commercial/residential development with total gross floor area of 7,159 square metres (77,059 square feet), providing 155 residential units, 2 storeys of shops and 1 storey of basement carpark. The general building plans have been approved and foundation works commenced. The development is scheduled to be completed in 2017.

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

These properties comprise ten residential duplex units with gross area of approximately 1,832 square metres (19,720 square feet) and 14 car parks in a completed residential development. Presently, five duplex units are under leases to third parties for rental income.

### Mainland China

*Regal (Chongqing) Equity Investment Fund, L.P.*

P&R Holdings group also holds limited partnership interest of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, L.P., which was established principally to support the businesses undertaken by P&R Holdings group in China. A wholly owned subsidiary of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, acts as the general partner of the fund and holds a very minor interest in the partnership.

## COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

### Property Development

*Chengdu Project*

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 residential units with car parking spaces and ancillary commercial accommodation. The construction works for these three residential towers are expected to be completed in the third quarter of 2016 and units presale is anticipated to be launched in the third quarter of 2015. Having considered the local market environment, the hotel portion included in the first stage is now planned to be completed in phases from 2016. The other components comprised within the overall development will continue to be developed in stages.

*Tianjin Project*

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres. The development plans have been revised to include only commercial, office and residential components with total gross floor area of about 145,000 square metres and such plans have been approved by the local government authority. The piling works for the project have already been completed and the entire development is now anticipated to be completed in stages within 2018.

*Xinjiang Project*

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Cosmopolitan group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the reforested area by the relevant government authorities is still ongoing and some remedial re-forestation works will be undertaken soon to meet the requirements of the government authorities. In the meantime, the Cosmopolitan group is working on the design of the master plan to prepare for the land grant procedures. It is hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded as soon as practicable. Should the Cosmopolitan group successfully secure the development land and depending on the permitted land use, the Cosmopolitan group preliminarily plans to develop on the land, in stages, a large scale mixed use development comprising residential, hotel, recreational and commercial properties.

*Wuxi Project*

The Cosmopolitan group entered into in October 2013 a Co-operation Agreement for Business and Investment Encouragement with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission for a parcel of land of about 937 mu (equivalent to approximately 624,700 square metres) located in Huishan District, Wuxi, Jiangsu Province, which was subject to certain terms to be agreed by the parties within six months of the date of the agreement. The Cosmopolitan group has not been able to reach agreement with the relevant parties in respect of those certain terms and further negotiations with respect to the Co-operation Agreement have been discontinued for the time being.

**Property Investment**

*Beijing Tongzhou Project*

A wholly owned subsidiary of Cosmopolitan established in Beijing has entered into a co-operation agreement with a PRC independent third party in February 2014 to subscribe for 82.5% equity interest in a company which is involved in a primary development project located in Tongzhou District, Beijing, subject to the fulfilment of certain prescribed conditions. The principal purpose of the project is to develop buildings for the purposes of housing resettlement under PRC government policies. As certain conditions have not been fulfilled by the independent third party, the co-operation agreement has lapsed. The relevant third party is considering various remedial proposals for the Cosmopolitan group's Beijing subsidiary to participate in the investment project as previously contemplated. The Beijing subsidiary has recently obtained the approval from the relevant PRC authority for (1) an increase of its registered capital from RMB298 million to RMB500 million and (2) a change of its business nature to an investment company, which will strengthen its capital base and facilitate potential investments in other property development and investment projects in the PRC.

## HANG FOK PROPERTIES LIMITED

Hang Fok Properties Limited ("Hang Fok") is an entity that is 50% beneficially owned by each of the Company and RHIHL and is effectively a subsidiary of the Group. Hang Fok holds equity interests in a joint venture project company involved in a development project in the Central Business District in Beijing, the PRC. As previously reported, Hang Fok was engaged in a series of legal actions in the PRC with the other joint venture parties in the Beijing project, some of which were initiated by Hang Fok to protect its equity interests in the Beijing project. Appropriate provisions had been made by Hang Fok in the prior years and the interest held by the Group in the project was carried in the consolidated financial statements at an insignificant amount as at 31st December, 2013. In the process of the legal actions taken, the other joint venture parties have funded the joint venture project company and procured the latter to deposit an amount of approximately RMB195 million into the court in the PRC in August 2014, as repayment proceeds of certain of the shareholder's loans, plus accrued interest thereon, made by Hang Fok to the joint venture project company, which is pending collection by Hang Fok. Accordingly, Hang Fok has recorded a recovery of loans receivable and related interest income of approximately HK$159.0 million and HK$84.2 million respectively, which have been reflected in the results of the Group for the year under review. The Group will continue to exercise strenuous efforts with a view to salvaging the value of the Group's interest in this development project.

## CONSTRUCTION AND BUILDING RELATED BUSINESS

The Group's wholly owned construction arm, Chatwin Engineering Limited ("Chatwin"), was the main contractor for the construction of P&R Holdings' hotel developments at Bonham Strand, Sheung Wan and at Merlin Street in Fortress Hill, which have been completed in January and May 2014, respectively. Chatwin is also undertaking the main contract works for P&R Holdings' residential project in Yuen Long and the hotel development project at Ha Heung Road, To Kwa Wan, awarded through competitive tender process. Due to the increasing number of projects undertaken, the Group's development consultancy division, which provides professional services on architectural, engineering and interior design aspects, is principally supporting the needs of the Group's member companies.

## OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, bonds as well as treasury and yield enhancement products, some of which are denominated in Renminbi.

# FINANCIAL REVIEW

## ASSETS VALUE

As at 31st December, 2014, the Group's net assets attributable to equity holders of the parent amounted to HK$13,062.5 million, representing HK$11.72 per ordinary share.

## 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. Project financing may be arranged on appropriate terms and will normally be in local currency 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 and Hong Kong dollar with fixed coupon interest rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As the US dollars are pegged to the Hong Kong dollars, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards the Group's overseas investments which are based in currencies other than US dollar and Hong Kong dollar, the Group will consider hedging part or all of the investment amounts into US dollars or Hong Kong dollars to contain the Group's exposure to currency fluctuation.

**Cash Flow**

Net cash flows generated from operating activities during the year under review amounted to HK$60.1 million (2013 – net cash flows used in operating activities of HK$3,258.7 million). Net interest payment for the year amounted to HK$303.5 million (2013 – HK$236.9 million).

**Borrowings and Gearing**

As at 31st December, 2014, the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$10,025.4 million (2013 – HK$8,553.9 million).

As at 31st December, 2014, the gearing ratio of the Group was 27.1% (2013 – 24.4%), representing the Group's borrowings net of cash and bank balances and deposits of HK$10,025.4 million (2013 – HK$8,553.9 million), as compared to the total assets of the Group of HK$36,942.1 million (2013 – HK$34,993.4 million).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2014 are shown in notes 30 and 31 to the financial statements.

**Pledge of Assets**

As at 31st December, 2014, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK$17,861.1 million (2013 – HK$14,529.3 million) were pledged to secure general banking facilities granted to the Group and, in addition, certain of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK$454.6 million (2013 – HK$428.5 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2014, certain ordinary shares in a listed subsidiary with a market value of HK$445.0 million (2013 – HK$460.0 million) were also pledged to secure general banking facilities granted to the Group.

The above details of the pledge of assets of the Group are also shown in note 40 to the financial statements.

### Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2014 are shown in note 43 to the financial statements.

### Contingent Liabilities

The Group had no contingent liability as at 31st December, 2014.

### Share Capital

During the year under review, the Company repurchased a total number of 440,000 ordinary shares of the Company at an aggregate purchase price of HK$1,158,600 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). All the repurchased ordinary shares were cancelled during the year.

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

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

## STAFF AND REMUNERATION POLICY

The Group employs approximately 2,350 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.

With a view to providing long term incentives, the Company and RHIHL maintain the share option schemes named as "The Paliburg Holdings Limited Share Option Scheme" and "The Regal Hotels International Holdings Limited Share Option Scheme", respectively, under which share options had been granted to selected eligible persons.

# Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2014.

## 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 and other investments including financial assets investments, and aircraft ownership and leasing business. 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, 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 47 to 160.

## DIVIDENDS

An interim dividend of HK2.3 cents (2013 – HK2.2 cents) per ordinary share, absorbing a total amount of approximately HK$25.6 million (2013 – HK$24.5 million), were paid to holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK9.3 cents (2013 – HK9.3 cents) per ordinary share for the year ended 31st December, 2014, absorbing an amount of approximately HK$103.7 million (2013 – HK$103.7 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 11th June, 2015. This recommendation has been incorporated in the financial statements.

## ANNUAL GENERAL MEETING

The 2015 Annual General Meeting of the Company will be convened to be held on Wednesday, 3rd June, 2015. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the "Circular") to be sent to the shareholders, together with this Annual Report.

## CLOSURE OF REGISTER

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

(i) from Monday, 1st June, 2015 to Wednesday, 3rd June, 2015, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2015 Annual General Meeting. In order to be entitled to attend and vote at the 2015 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 (the "Branch Registrar"), no later than 4:30 p.m. on Friday, 29th May, 2015; and

(ii) from Tuesday, 9th June, 2015 to Thursday, 11th June, 2015, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Branch Registrar no later than 4:30 p.m. on Monday, 8th June, 2015.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 23rd June, 2015.

## DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Jimmy Lo Chun To
Mr. Donald Fan Tung
Mr. Bowen Joseph Leung Po Wing, GBS, JP
Miss Lo Po Man
Mr. Kenneth Ng Kwai Kai
Mr. Ng Siu Chan
Hon Abraham Shek Lai Him, GBS, JP
Mr. Wong Chi Keung
Mr. Kenneth Wong Po Man

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

In accordance with Bye-law 99 of the Bye-laws of the Company, Mr. Jimmy Lo Chun To, Vice Chairman and Managing Director, Mr. Donald Fan Tung, an Executive Director and the Chief Operating Officer, and Mr. Bowen Joseph Leung Po Wing, an Independent Non-Executive Director, and Miss Lo Po Man, an Executive Director will retire from office by rotation at the 2015 Annual General Meeting.

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2015 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), will be set out in the Circular.

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

## DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, none of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party at the end of the reporting period or at any time during the year.

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

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

There were no options granted or exercised under any of the Schemes during the year.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

| | | | | Number of shares held | | | |
|---|---|---|---|---|---|---|---|
| | The Company/ Name of associated corporation | Name of Director | Class of shares held | Personal interests | Corporate interests | Family/Other interests | Total (Approximate percentage of the issued shares as at 31st December, 2014) |
| 1. | **The Company** | Mr. Lo Yuk Sui | Ordinary (issued) | 90,078,014 | 740,376,803 (Note b) | 15,000 | 830,469,817 (74.51%) |
| | | Mr. Jimmy Lo Chun To | Ordinary (issued) | 2,274,600 | – | – | 2,274,600 (0.20%) |
| | | Mr. Donald Fan Tung | Ordinary (issued) | 556 | – | – | 556 (0.000%) |
| | | 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. Ng Siu Chan | Ordinary (issued) | – | – | 80,474 | 80,474 (0.007%) |
| | | Mr. Kenneth Wong Po Man | Ordinary (issued) | 6,200 | – | – | 6,200 (0.001%) |
| 2. | CCIHL | Mr. Lo Yuk Sui | Ordinary (issued) | 102,587,396 | 1,769,164,691 (Note a) | 380,683 | 1,872,132,770 (58.43%) |
| | | 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. Ng Siu Chan | Ordinary (issued) | – | – | 3,521,973 | 3,521,973 (0.11%) |
| | | Mr. Kenneth Wong Po Man | Ordinary (issued) | 200 | – | – | 200 (0.000%) |

| | The Company/ Name of associated corporation | Name of Director | Class of shares held | Number of shares held Personal interests | Corporate interests | Family/Other interests | Total (Approximate percentage of the issued shares as at 31st December, 2014) |
|---|---|---|---|---|---|---|---|
| 3. | RHIHL | Mr. Lo Yuk Sui | Ordinary (issued) | 24,200 | 600,141,261 (Note c) | 260,700 | 600,426,161 (64.98%) |
| | | Miss Lo Po Man | Ordinary (issued) | 300,000 | – | 269,169 (Note d) | 569,169 (0.06%) |
| | | Mr. Kenneth Wong Po Man | Ordinary (issued) | 200 | – | – | 200 (0.000%) |
| 4. | Cosmopolitan International Holdings Limited ("Cosmopolitan") | Mr. Lo Yuk Sui | Ordinary (i) (issued) | – | 2,731,316,716 (Note e) | – | 2,731,316,716 |
| | | | (ii) (unissued) | | 4,683,461,057 (Note f) | | 4,683,461,057 |
| | | | | | | Total: | 7,414,777,773 (174.45%) |
| | | | Preference (issued) | – | 2,004,889,629 (Note f) | – | 2,004,889,629 (85.45%) |
| | | Mr. Jimmy Lo Chun To | Ordinary (issued) | 2,269,101 | – | – | 2,269,101 (0.05%) |
| | | Miss Lo Po Man | Ordinary (issued) | 1,380,000 | – | – | 1,380,000 (0.03%) |
| 5. | Regal REIT | Mr. Lo Yuk Sui | Units (issued) | – | 2,443,033,102 (Note g) | – | 2,443,033,102 (75.00%) |
| 6. | 8D International (BVI) Limited | Mr. Lo Yuk Sui | Ordinary (issued) | – | 1,000 (Note h) | – | 1,000 (100%) |

**Notes:**

(a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

(b) The interests in 693,640,547 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.42% shareholding interests.

The interests in 16,271,685 issued ordinary shares of the Company 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 the Company 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 CCIHL, in which Mr. Lo held 58.42% shareholding interests. The interests in 588,173,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 62.23% shareholding interests. The other interests in 11,546,000 issued ordinary shares of RHIHL were held through a wholly owned subsidiary of Cosmopolitan, in which P&R Holdings Limited ("P&R Holdings") (which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries) held 64.26% shareholding interests. The Company held 64.90% shareholding interests in RHIHL.

(d) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.

(e) The interests in 2,731,316,716 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The Company, in which CCIHL held 62.23% shareholding interests, held 64.90% shareholding interests in RHIHL. Mr. Lo held 58.42% shareholding interests in CCIHL.

(f) The interests in 4,683,461,057 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The Company, in which CCIHL held 62.23% shareholding interests, held 64.90% shareholding interests in RHIHL. Mr. Lo held 58.42% shareholding interests in CCIHL.

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

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

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

(g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. Cosmopolitan were held as to 64.26% shareholding interests by P&R Holdings, which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The Company, in which CCIHL held 62.23% shareholding interests, held 64.90% shareholding interests in RHIHL. Mr. Lo held 58.42% shareholding interests in CCIHL.

(h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.24% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 31st December, 2014, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

(i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;

(ii) any participant under the Paliburg Share Option Scheme with options granted in excess of the individual limit;

(iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;

(iv) any supplier of goods or services; and

(v) any other participants under the Paliburg Share Option Scheme.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2014, 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, 2014 |
|---|---|---|---|---|
| CCIHL (Note i) | 693,640,547 | – | 693,640,547 | 62.23% |
| Century City BVI Holdings Limited ("CCBVI") (Note ii) | 693,640,547 | – | 693,640,547 | 62.23% |
| Almighty International Limited ("Almighty") (Note ii) | 346,510,526 | – | 346,510,526 | 31.09% |
| Cleverview Investments Limited ("Cleverview") (Note ii) | 180,811,470 | – | 180,811,470 | 16.22% |

**Notes:**

(i) Mr. Lo Yuk Sui directly and indirectly held 58.42% shareholding interests in CCIHL, and the interests in these ordinary shares of the Company held by CCIHL through its wholly owned subsidiaries were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

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

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, 2014, 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, Mr. Jimmy Lo Chun To, Mr. Donald Fan Tung, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of CCIHL.

(2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Mr. Donald Fan Tung, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleverview.

## 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, 2014 is set out below:

| Name of Director | Details of changes |
|---|---|
| *Executive Directors:* | |
| Mr. Lo Yuk Sui | • Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$650,700 commencing from January 2015. (Notes) |
| Mr. Jimmy Lo Chun To | • Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$170,100 commencing from January 2015. (Note (i)) |
| Mr. Donald Fan Tung | • Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$180,500 commencing from January 2015. (Note (i)) |
| Miss Lo Po Man | • Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$179,550 commencing from January 2015. (Note (i)) |
| Mr. Kenneth Ng Kwai Kai | • Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$207,100 commencing from January 2015. (Note (i)) |
| Mr. Kenneth Wong Po Man | • Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$166,000 commencing from January 2015. (Note (i)) |
| *Independent Non-Executive Directors:* | |
| Mr. Bowen Joseph Leung Po Wing, GBS, JP | • Retired as an independent non-executive director of PYI Incorporation Limited, a company listed on the Stock Exchange, at the annual general meeting of such company held on 5th September, 2014. |
| Hon Abraham Shek Lai Him, GBS, JP | • Retired as the Vice Chairman of Independent Police Complaints Council with effect from 1st January, 2015.<br>• Appointed as a non-executive director of the Mandatory Provident Fund Scheme Authority with effect from 17th March, 2015. |

**Notes:**

(i) Each Executive Director is also entitled to a performance based discretionary bonus and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK$100,000 per annum in acting as a Director of the Company. Details of the remuneration of the Executive Directors for the year ended 31st December, 2014 are disclosed in note 8 to the financial statements.

(ii) Mr. Lo Yuk Sui and certain Independent Non-Executive Directors, who are also the chairman or members of the Nomination Committee and/or the Remuneration Committee of the Company, are entitled to normal fee of HK$30,000 per annum in acting as the chairman or a member of each of such board committees. Details of the remuneration of all Directors for the year ended 31st December, 2014 are disclosed in note 8 to the financial statements.

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

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

During the year ended 31st December, 2014, the Company repurchased a total of 440,000 ordinary shares of the Company at aggregate purchase prices of HK$1,158,600 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

| Month of repurchase | Number of ordinary shares repurchased | Price per ordinary share Highest (HK$) | Lowest (HK$) | Aggregate purchase price (HK$) |
|---|---|---|---|---|
| June 2014 | 326,000 | 2.660 | 2.610 | 855,360 |
| July 2014 | 114,000 | 2.660 | 2.660 | 303,240 |
| Total | 440,000 | | | 1,158,600 |
| | | Total expenses on shares repurchased | | 3,495 |
| | | | Total | 1,162,095 |

All the above 440,000 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.

## PROPERTY, PLANT AND EQUIPMENT

The details of movements in the Group's property, plant and equipment during the year are set out in note 14 to the financial statements.

## INVESTMENT PROPERTIES

The details of movements in the Group's investment properties during the year are set out in note 15 to the financial statements.

## BORROWINGS

The details of the Group's borrowings at the end of the reporting period are set out in notes 30 and 31 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

The details of movements in the share capital and share options of the Company, together with reasons therefor, during the year are set out in note 34 to the financial statements.

## SHARE PREMIUM ACCOUNT

The details of movements in the Company's share premium account during the year are set out in note 34 to the financial statements.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 37 to the financial statements.

## ASSOCIATES

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

## CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$3.4 million.

## RESERVES

The details of movements in the reserves of the Company and the Group during the year are set out in note 35(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

As at 31st December, 2014, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK$2,089.0 million, of which HK$103.7 million has been proposed as final dividend for the year.

In addition, the Company's share premium account, in the amount of HK$1,356.1 million, may be distributed in the form of fully paid bonus shares.

## FINANCE COSTS CAPITALISED

Finance costs in the amount of HK$144.3 million were capitalised during the year in respect of the Group's property development projects.

## EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 47 to the financial statements.

## AUDITORS

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

On behalf of the Board

**LO YUK SUI**

Chairman

Hong Kong
24th March, 2015

# Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2014.

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

## (I) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31st December, 2014, 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 and Managing Director)*
Mr. Donald Fan Tung *(Chief Operating Officer)*
Miss Lo Po Man
Mr. Kenneth Ng Kwai Kai
Mr. Kenneth Wong Po Man

*Independent Non-Executive Directors:*

Mr. Bowen Joseph Leung Po Wing, GBS, JP
Mr. Ng Siu Chan
Hon Abraham Shek Lai Him, GBS, JP
Mr. Wong Chi Keung

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

During the year ended 31st December, 2014, the Company has fully complied with Rules 3.10 and 3.10A of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

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

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

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

In year 2014, the attendance rates of individual Board members of the Company were as follows:

| **Name of Directors** | **Attendance** | |
|---|---|---|
| | *Board Meetings* | *General Meetings* |
| *Executive Directors* | | |
| Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)* | 14/14 | 1/1 |
| Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)* | 13/14 | 1/1 |
| Mr. Donald Fan Tung *(Chief Operating Officer)* | 13/14 | 1/1 |
| Miss Lo Po Man | 14/14 | 1/1 |
| Mr. Kenneth Ng Kwai Kai | 14/14 | 1/1 |
| Mr. Kenneth Wong Po Man | 14/14 | 1/1 |
| *Independent Non-Executive Directors* | | |
| Mr. Bowen Joseph Leung Po Wing, GBS, JP | 14/14 | 1/1 |
| Mr. Ng Siu Chan | 14/14 | 1/1 |
| Hon Abraham Shek Lai Him, GBS, JP | 14/14 | 1/1 |
| Mr. Wong Chi Keung | 14/14 | 1/1 |

The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary. In addition, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In the year 2014, the Company arranged for Directors a seminar in relation to "Environmental, Social and Governance Reporting" in accordance with the requirements under the Listing Rules. The training received by the Directors during the year 2014 is summarised below:

| Name of Directors | Types of training |
|---|---|
| *Executive Directors* | |
| Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)* | A, B |
| Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)* | A, B |
| Mr. Donald Fan Tung *(Chief Operating Officer)* | A, B |
| Miss Lo Po Man | B |
| Mr. Kenneth Ng Kwai Kai | A, B |
| Mr. Kenneth Wong Po Man | A, B |
| *Independent Non-Executive Directors* | |
| Mr. Bowen Joseph Leung Po Wing, GBS, JP | A, B |
| Mr. Ng Siu Chan | B |
| Hon Abraham Shek Lai Him, GBS, 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 certain functions delegated by the Board.

### (a) Audit Committee

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

The Audit Committee currently comprises the following members:

*Independent Non-Executive Directors:*

Mr. Wong Chi Keung *(Chairman of the Committee)*
Mr. Bowen Joseph Leung Po Wing, GBS, JP *(Member)*
Mr. Ng Siu Chan *(Member)*
Hon Abraham Shek Lai Him, GBS, JP *(Member)*

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

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

In year 2014, the Audit Committee met twice and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

| Name of Audit Committee members | Attendance |
|---|---|
| Mr. Wong Chi Keung *(Chairman of the Committee)* | 2/2 |
| Mr. Bowen Joseph Leung Po Wing, GBS, JP | 2/2 |
| Mr. Ng Siu Chan | 2/2 |
| Hon Abraham Shek Lai Him, GBS, JP | 2/2 |

### (b) Remuneration Committee

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

The Remuneration Committee currently comprises the following members:

*Executive Director:*

Mr. Lo Yuk Sui *(Member)*

*Independent Non-Executive Directors:*

Mr. Wong Chi Keung *(Chairman of the Committee)*
Mr. Ng Siu Chan *(Member)*

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

In year 2014, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. The attendance rates of individual Remuneration Committee members of the Company were as follows:

| Name of Remuneration Committee members | Attendance |
|---|---|
| Mr. Wong Chi Keung *(Chairman of the Committee)* | 1/1 |
| Mr. Lo Yuk Sui | 1/1 |
| Mr. Ng Siu Chan | 1/1 |

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

The remuneration of the senior management (comprising Executive Directors) of the Company for the year ended 31st December, 2014 by band is set out below:

| Remuneration band | Number of individuals |
|---|---|
| HK$2,500,001 – 3,000,000 | 1 |
| HK$3,000,001 – 3,500,000 | 1 |
| HK$3,500,001 – 4,000,000 | 1 |
| Within bands from HK$4,000,001 – 5,000,000 | 0 |
| HK$5,000,001 – 5,500,000 | 2 |
| Within bands from HK$5,500,001 – 14,500,000 | 0 |
| HK$14,500,001 – 15,000,000 | 1 |

Further details of the Executive Directors' remuneration for the year ended 31st December, 2014 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. Bowen Joseph Leung Po Wing, GBS, JP *(Member)*
Mr. Ng Siu Chan *(Member)*
Hon Abraham Shek Lai Him, GBS, 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 policy for designing the composition of the Board with diversity in Board members having balanced skills and expertise. The diversity of the Board members should be assessed on a diversity of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional knowledge, industry experience, skills and other individual qualities. The Nomination Committee will discuss and review annually the structure, size and composition of the Board and agree on measurable objectives for achieving diversity on the Board and make relevant recommendation to the Board for adoption.

In year 2014, the Nomination Committee met once to review and assess the overall diversity of the composition of the Board with reference to the various aspects as set out in the Board Diversity Policy. The attendance rates of individual Nomination Committee members of the Company were as follows:

| **Name of Nomination Committee members** | **Attendance** |
|---|---|
| Mr. Lo Yuk Sui *(Chairman of the Committee)* | 1/1 |
| Mr. Bowen Leung Po Wing, GBS, JP | 1/1 |
| Mr. Ng Siu Chan | 1/1 |
| Hon Abraham Shek Lai Him, GBS, 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 and financial reporting function with staff members possessing appropriate qualifications and experience engaged in the discharge of the relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis, and a reasonable budget has been allocated for continuous professional development purposes.

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

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

## (V) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg 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 Paliburg Code during the year ended 31st December, 2014.

## (VI) INTERNAL CONTROL

The Board has conducted a review of effectiveness of the system of internal controls of the Group during the year, including financial, operational and compliance controls and risk management functions with a view to safeguarding the shareholders' investment and the Company's assets.

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 a sound internal control system. Separate meetings participated by Executive Directors, Group Financial Controller and related division heads are held regularly to review the effectiveness of the internal control system, to identify any significant 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 internal control mechanisms is mainly conducted by the delegated Executive Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. 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 internal control system, 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.

## (VII) AUDITORS' REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditors of the Company at the 2014 Annual General Meeting until the conclusion of the forthcoming 2015 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditors of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2014 were HK$9.7 million (2013 - HK$8.3 million) and HK$3.0 million (2013 - HK$4.3 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, 2014 | 1.4 |
| (2) Compliance and other services to the Group | 1.6 |

## (VIII) SHAREHOLDERS' RIGHT

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

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

During the year ended 31st December, 2014, the Company has not made any changes to its Bye-laws. A consolidated version of the Memorandum of Association and New Bye-laws of the Company is available on the website of the Company.

# Consolidated Statement of Profit or Loss

**For the year ended 31st December, 2014**

| | Notes | 2014 HK$'million | 2013 HK$'million |
|---|---|---|---|
| REVENUE | 5 | **2,301.2** | 3,604.1 |
| Cost of sales | | **(1,210.8)** | (2,406.3) |
| Gross profit | | **1,090.4** | 1,197.8 |
| Other income and gains | 5 | **293.6** | 73.0 |
| Fair value gains on investment properties, net | | **72.3** | 9.0 |
| Fair value gains/(losses) on financial assets at fair value through profit or loss, net | | **41.6** | (69.7) |
| Gain on disposal of subsidiaries | | **–** | 279.2 |
| Gain on bargain purchase | | **35.0** | – |
| Administrative expenses | | **(369.7)** | (279.7) |
| OPERATING PROFIT BEFORE DEPRECIATION | | **1,163.2** | 1,209.6 |
| Depreciation | | **(515.3)** | (458.5) |
| OPERATING PROFIT | | **647.9** | 751.1 |
| Finance costs | 7 | **(236.0)** | (260.5) |
| Share of profits and losses of: | | | |
| A joint venture | | **–** | 0.3 |
| Associates | | **(15.5)** | 41.8 |
| PROFIT BEFORE TAX | 6 | **396.4** | 532.7 |
| Income tax | 10 | **18.7** | (84.9) |
| PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | | **415.1** | 447.8 |
| Attributable to: | | | |
| Equity holders of the parent | 11 | **283.7** | 322.9 |
| Non-controlling interests | | **131.4** | 124.9 |
| | | **415.1** | 447.8 |
| EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | 13 | | |
| Basic and diluted | | **HK$0.25** | HK$0.29 |

Details of the dividends paid and proposed for the year are disclosed in note 12 to the financial statements.

# Consolidated Statement of Comprehensive Income

**For the year ended 31st December, 2014**

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | **415.1** | 447.8 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | |
| Changes in fair value of available-for-sale investments | **28.2** | – |
| Cash flow hedges: | | |
| Changes in fair value of cash flow hedges | **(4.0)** | (7.4) |
| Transfer from hedge reserve to the statement of profit or loss | **6.0** | 6.1 |
| | **2.0** | (1.3) |
| Exchange differences on translating foreign operations | **(78.5)** | 78.0 |
| Reclassification adjustments on disposals of foreign operations | **–** | (45.3) |
| Share of other comprehensive income/(loss) of associates | **(3.1)** | 0.5 |
| Other comprehensive income/(loss) for the year | **(51.4)** | 31.9 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **363.7** | 479.7 |
| Attributable to: | | |
| Equity holders of the parent | **258.0** | 342.3 |
| Non-controlling interests | **105.7** | 137.4 |
| | **363.7** | 479.7 |

# Consolidated Statement of Financial Position

As at 31st December, 2014

| | Notes | 2014 HK$'million | 2013 HK$'million |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | **19,687.6** | 19,345.0 |
| Investment properties | 15 | **1,946.6** | 1,715.4 |
| Properties under development | 16 | **1,305.1** | 1,308.6 |
| Investments in associates | 17 | **25.7** | 27.6 |
| Available-for-sale investments | 18 | **131.8** | 18.3 |
| Financial assets at fair value through profit or loss | 19 | **1.9** | – |
| Loans receivable | 21 | **1.7** | 8.4 |
| Deposits and prepayments | | **87.2** | 60.9 |
| Deferred tax assets | 33 | **62.4** | – |
| Trademark | 22 | **610.2** | 610.2 |
| Goodwill | 23 | **261.0** | 261.0 |
| Total non-current assets | | **24,121.2** | 23,355.4 |
| CURRENT ASSETS | | | |
| Properties under development | 16 | **6,617.0** | 5,750.4 |
| Properties held for sale | 24 | **1,000.5** | 1,513.3 |
| Inventories | 25 | **57.2** | 56.5 |
| Debtors, deposits and prepayments | 26, 29 | **558.0** | 422.6 |
| Loans receivable | 21 | **13.3** | 6.7 |
| Held-to-maturity investments | 20 | **378.1** | 229.3 |
| Financial assets at fair value through profit or loss | 19 | **864.3** | 764.6 |
| Derivative financial instruments | 32 | **–** | 22.0 |
| Tax recoverable | | **–** | 2.2 |
| Restricted cash | 27 | **47.2** | 51.9 |
| Pledged time deposits and bank balances | | **333.8** | 433.2 |
| Time deposits | | **761.5** | 1,143.9 |
| Cash and bank balances | | **2,190.0** | 1,241.4 |
| Total current assets | | **12,820.9** | 11,638.0 |
| CURRENT LIABILITIES | | | |
| Creditors and accruals | 28, 29 | **(661.3)** | (511.7) |
| Deposits received | | **(24.5)** | (27.0) |
| Interest bearing bank borrowings | 30 | **(1,375.9)** | (1,624.0) |
| Derivative financial instruments | 32 | **(4.8)** | – |
| Tax payable | | **(126.5)** | (108.7) |
| Total current liabilities | | **(2,193.0)** | (2,271.4) |
| NET CURRENT ASSETS | | **10,627.9** | 9,366.6 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **34,749.1** | 32,722.0 |

# Consolidated Statement of Financial Position (Cont'd)

**As at 31st December, 2014**

| | Notes | 2014 HK$'million | 2013 HK$'million |
|---|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **34,749.1** | 32,722.0 |
| NON-CURRENT LIABILITIES | | | |
| Creditors and deposits received | | **(27.8)** | (13.9) |
| Interest bearing bank borrowings | 30 | **(7,770.8)** | (5,599.8) |
| Other borrowings | 31 | **(4,211.2)** | (4,200.5) |
| Derivative financial instruments | 32 | **–** | (4.1) |
| Deferred tax liabilities | 33 | **(2,296.2)** | (2,322.4) |
| Total non-current liabilities | | **(14,306.0)** | (12,140.7) |
| Net assets | | **20,443.1** | 20,581.3 |
| EQUITY | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued capital | 34 | **111.4** | 111.5 |
| Reserves | 35(a) | **12,847.4** | 11,936.7 |
| Proposed final dividend | 12 | **103.7** | 103.7 |
| | | **13,062.5** | 12,151.9 |
| **Non-controlling interests** | | **7,380.6** | 8,429.4 |
| Total equity | | **20,443.1** | 20,581.3 |

**KENNETH NG KWAI KAI**
Director

**LO YUK SUI**
Director

# Consolidated Statement of Changes in Equity

**For the year ended 31st December, 2014**

| | Notes | Issued capital HK$'m | Share premium account HK$'m | Capital redemption reserve HK$'m | Capital reserve HK$'m | Special reserve HK$'m | Available-for-sale investment revaluation reserve HK$'m | Hedge reserve HK$'m | Exchange equalisation reserve HK$'m | Retained profits HK$'m | Proposed final dividend HK$'m | Total HK$'m | Non-controlling interests HK$'m | Total equity HK$'m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to equity holders of the parent | | | | | | | | | | | | |
| At 1st January, 2013 | | 111.5 | 1,357.2 | 4.2 | 169.6 | 689.6 | (0.6) | (0.6) | 65.2 | 8,639.2 | 98.1 | 11,133.4 | 9,384.2 | 20,517.6 |
| Profit for the year | | - | - | - | - | - | - | - | - | 322.9 | - | 322.9 | 124.9 | 447.8 |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | | | | | |
| Cash flow hedges | | - | - | - | - | - | - | (1.0) | - | - | - | (1.0) | (0.3) | (1.3) |
| Exchange differences on translating foreign operations | | - | - | - | - | - | - | - | 46.0 | - | - | 46.0 | 32.0 | 78.0 |
| Reclassification adjustments on disposals of foreign operations | | - | - | - | - | - | - | - | (25.9) | - | - | (25.9) | (19.4) | (45.3) |
| Share of other comprehensive income of associates | | - | - | - | - | - | - | - | 0.3 | - | - | 0.3 | 0.2 | 0.5 |
| Total comprehensive income/(loss) for the year | | - | - | - | - | - | - | (1.0) | 20.4 | 322.9 | - | 342.3 | 137.4 | 479.7 |
| Acquisition/Deemed acquisition of non-controlling interests in listed subsidiaries | | - | - | - | 798.8 | - | - | - | - | - | - | 798.8 | (1,147.2) | (348.4) |
| Acquisitions of a listed subsidiary and an unlisted joint venture | 36(b) | - | - | - | - | - | - | - | - | - | - | - | 374.4 | 374.4 |
| Disposal of subsidiaries | 38(b) | - | - | - | - | - | - | - | - | - | - | - | (151.7) | (151.7) |
| Contribution from a non-controlling shareholder | | - | - | - | - | - | - | - | - | - | - | - | 13.6 | 13.6 |
| Final 2012 dividend declared | | - | - | - | - | - | - | - | - | - | (98.1) | (98.1) | (110.7) | (208.8) |
| Interim 2013 dividend | 12 | - | - | - | - | - | - | - | - | (24.5) | - | (24.5) | (70.6) | (95.1) |
| Proposed final 2013 dividend | 12 | - | - | - | - | - | - | - | - | (103.7) | 103.7 | - | - | - |
| At 31st December, 2013 | | 111.5 | 1,357.2 | 4.2 | 968.4 | 689.6 | (0.6) | (1.6) | 85.6 | 8,833.9 | 103.7 | 12,151.9 | 8,429.4 | 20,581.3 |

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

**For the year ended 31st December, 2014**

| | Notes | Attributable to equity holders of the parent | | | | | | | | | | | Non-controlling interests HK$'m | Total equity HK$'m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Issued capital HK$'m | Share premium account HK$'m | Capital redemption reserve HK$'m | Capital reserve HK$'m | Special reserve HK$'m | Available-for-sale investment revaluation reserve HK$'m | Hedge reserve HK$'m | Exchange equalisation reserve HK$'m | Retained profits HK$'m | Proposed final dividends HK$'m | Total HK$'m | | |
| At 1st January, 2014 | | 111.5 | 1,357.2 | 4.2 | 968.4 | 689.6 | (0.6) | (1.6) | 85.6 | 8,833.9 | 103.7 | 12,151.9 | 8,429.4 | 20,581.3 |
| Profit for the year | | - | - | - | - | - | - | - | - | 283.7 | - | 283.7 | 131.4 | 415.1 |
| Other comprehensive income/(loss) for the year: | | | | | | | | | | | | | | |
| Changes in fair value of available-for-sale investments | | - | - | - | - | - | 22.7 | - | - | - | - | 22.7 | 5.5 | 28.2 |
| Cash flow hedges | | - | - | - | - | - | - | 1.0 | - | - | - | 1.0 | 1.0 | 2.0 |
| Exchange differences on translating foreign operations | | - | - | - | - | - | - | - | (47.4) | - | - | (47.4) | (31.1) | (78.5) |
| Share of other comprehensive loss of associates | | - | - | - | - | - | - | - | (2.0) | - | - | (2.0) | (1.1) | (3.1) |
| Total comprehensive income/(loss) for the year | | - | - | - | - | - | 22.7 | 1.0 | (49.4) | 283.7 | - | 258.0 | 105.7 | 363.7 |
| Repurchase and cancellation of ordinary shares | 34(i) | (0.1) | (1.1) | 0.1 | - | - | - | - | - | (0.1) | - | (1.2) | - | (1.2) |
| Acquisition/Deemed acquisition of non-controlling interests in listed subsidiaries | | - | - | - | 783.1 | - | - | - | - | - | - | 783.1 | (969.9) | (186.8) |
| Distribution to a non-controlling shareholder | | - | - | - | - | - | - | - | - | - | - | - | (2.0) | (2.0) |
| Final 2013 dividend declared | | - | - | - | - | - | - | - | - | - | (103.7) | (103.7) | (107.6) | (211.3) |
| Interim 2014 dividend | 12 | - | - | - | - | - | - | - | - | (25.6) | - | (25.6) | (75.0) | (100.6) |
| Proposed final 2014 dividend | 12 | - | - | - | - | - | - | - | - | (103.7) | 103.7 | - | - | - |
| At 31st December, 2014 | | 111.4 | 1,356.1 | 4.3 | 1,751.5 | 689.6 | 22.1 | (0.6) | 36.2 | 8,988.2 | 103.7 | 13,062.5 | 7,380.6 | 20,443.1 |

# Consolidated Statement of Cash Flows

**For the year ended 31st December, 2014**

| | Notes | 2014 HK$'million | 2013 HK$'million |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | **396.4** | 532.7 |
| Adjustments for: | | | |
| Finance costs | 7 | **236.0** | 260.5 |
| Share of profit of a joint venture | | **–** | (0.3) |
| Share of profits and losses of associates | | **15.5** | (41.8) |
| Interest income | | **(151.7)** | (49.7) |
| Depreciation | 6 | **515.3** | 458.5 |
| Dividend income | 5 | **(15.2)** | (15.4) |
| Gain on bargain purchase | | **(35.0)** | – |
| Gain on disposal of subsidiaries | 38(b) | **–** | (279.2) |
| Fair value gain upon reclassification of a property held for sale to an investment property | 5 | **(0.1)** | – |
| Fair value gains on investment properties, net | | **(72.3)** | (9.0) |
| Fair value losses/(gains) on financial assets at fair value through profit or loss, net | | **(41.6)** | 69.7 |
| Write off of items of property, plant and equipment | | **0.5** | – |
| Impairment of trade debtors | | **0.1** | – |
| Write-back of other creditors, net | | **(1.1)** | (2.2) |
| | | **846.8** | 923.8 |
| Additions to properties under development | | **(780.5)** | (2,986.6) |
| Increase in properties held for sale | | **(2.2)** | (2.5) |
| Increase in financial assets at fair value through profit or loss | | **(72.1)** | (183.4) |
| Decrease/(Increase) in derivative financial instruments | | **22.0** | (6.3) |
| Increase in inventories | | **(0.1)** | (18.4) |
| Increase in debtors, deposits and prepayments | | **(16.8)** | (900.9) |
| Increase in restricted cash | | **(0.1)** | – |
| Increase in creditors and accruals | | **98.4** | 8.4 |
| Increase/(Decrease) in deposits received | | **0.3** | (13.9) |
| Cash generated from/(used in) operations | | **95.7** | (3,179.8) |
| Dividend received from listed investments | | **15.2** | – |
| Interest received | | **13.6** | – |
| Hong Kong profits tax paid | | **(63.8)** | (75.5) |
| Overseas taxes paid | | **(0.6)** | (3.4) |
| Net cash flows from/(used in) operating activities | | **60.1** | (3,258.7) |

**For the year ended 31st December, 2014**

| | Notes | 2014 HK$'million | 2013 HK$'million |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of a business/subsidiaries | 36 | **(68.9)** | 425.1 |
| Disposal of subsidiaries | 38(b) | **–** | (23.9) |
| Purchases of available-for-sale investments | | **(85.3)** | (8.8) |
| Purchases of financial assets at fair value through profit or loss | | **–** | (360.4) |
| Purchases of held-to-maturity investments | | **(963.6)** | (542.9) |
| Proceeds from disposal/redemption of held-to-maturity investments | | **814.8** | 579.9 |
| Decrease in loans receivable | | **1.0** | 10.4 |
| Purchases of investment properties | | **–** | (661.9) |
| Additions to investment properties | | **(10.8)** | (1.2) |
| Proceeds from disposal of items of property, plant and equipment | | **–** | 0.5 |
| Purchases of items of property, plant and equipment | | **(298.5)** | (529.7) |
| Deposits paid for purchases of items of property, plant and equipment | | **(14.0)** | – |
| Repayment from a joint venture | | **–** | 1.3 |
| Advances to associates | | **(16.7)** | (16.9) |
| Interest received | | **17.1** | 43.8 |
| Dividends received from listed and unlisted investments | | **–** | 69.4 |
| Decrease/(Increase) in pledged time deposits and bank balances | | **99.4** | (109.8) |
| Decrease/(Increase) in restricted cash | | **4.7** | (7.1) |
| Net cash flows used in investing activities | | **(520.8)** | (1,132.2) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of ordinary shares by a listed subsidiary | | **111.3** | – |
| Repurchase and cancellation of ordinary shares | | **(1.2)** | – |
| Repurchase and cancellation of ordinary shares by a listed subsidiary | | **(96.0)** | (94.8) |
| Increase in other borrowings | | **–** | 1,930.0 |
| Drawdown of new bank loans | | **5,532.7** | 6,823.0 |
| Repayment of bank loans | | **(3,584.5)** | (5,086.9) |
| Payment of loan and other costs | | **(59.2)** | (84.3) |
| Interest paid | | **(334.2)** | (280.7) |
| Dividends paid | | **(129.3)** | (122.6) |
| Dividends paid to non-controlling shareholders | | **(182.4)** | (181.2) |
| Contribution from/(Distribution to) non-controlling shareholders | | **(2.0)** | 13.6 |
| Acquisition of non-controlling interests in listed subsidiaries | | **(202.1)** | (253.6) |
| Decrease/(Increase) in restricted cash | | **0.1** | (0.6) |
| Net cash flows from financing activities | | **1,053.2** | 2,661.9 |

| | Notes | 2014 HK$'million | 2013 HK$'million |
|---|---|---|---|
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | **592.5** | (1,729.0) |
| Cash and cash equivalents at beginning of year | | **2,385.3** | 4,093.3 |
| Effect of foreign exchange rate changes, net | | **(26.3)** | 21.0 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | **2,951.5** | 2,385.3 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | **2,190.0** | 1,241.4 |
| Non-pledged time deposits with original maturity of less than three months when acquired | | **761.5** | 1,143.9 |
| | | **2,951.5** | 2,385.3 |

# Statement of Financial Position

**As at 31st December, 2014**

| | Notes | 2014 HK$'million | 2013 HK$'million |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Investments in subsidiaries | 37 | **3,562.6** | 3,697.4 |
| CURRENT ASSETS | | | |
| Deposits and prepayments | | **0.6** | 0.6 |
| CURRENT LIABILITIES | | | |
| Creditors and accruals | | **(2.4)** | (2.6) |
| NET CURRENT LIABILITIES | | **(1.8)** | (2.0) |
| Net assets | | **3,560.8** | 3,695.4 |
| EQUITY | | | |
| Issued capital | 34 | **111.4** | 111.5 |
| Reserves | 35(b) | **3,345.7** | 3,480.2 |
| Proposed final dividend | 12 | **103.7** | 103.7 |
| Total equity | | **3,560.8** | 3,695.4 |

**KENNETH NG KWAI KAI**
Director

**LO YUK SUI**
Director

## 1. CORPORATE INFORMATION

Paliburg 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 and other investments including financial assets investments, and aircraft ownership and leasing business.

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

## 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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, available-for-sale investments, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2014. 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 in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | *Investment Entities* |
| Amendments to HKAS 32 | *Offsetting Financial Assets and Financial Liabilities* |
| Amendments to HKAS 39 | *Novation of Derivatives and Continuation of Hedge Accounting* |
| HK(IFRIC)-Int 21 | *Levies* |
| Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle* | *Definition of Vesting Condition*[1] |
| Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle* | *Accounting for Contingent Consideration in a Business Combination*[1] |
| Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle* | *Short-term Receivables and Payables* |
| Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle* | *Meaning of Effective HKFRSs* |

1 Effective from 1st July, 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies (if any) incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

## 2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

| | |
|---|---|
| HKFRS 9 | *Financial Instruments*[4] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | *Investment Entities: Applying the Consolidation Exception*[2] |
| Amendments to HKFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations*[2] |
| HKFRS 14 | *Regulatory Deferral Accounts*[5] |
| HKFRS 15 | *Revenue from Contracts with Customers*[3] |
| Amendments to HKAS 1 | *Disclosure Initiative*[2] |
| Amendments to HKAS 16 and HKAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation*[2] |
| Amendments to HKAS 16 and HKAS 41 | *Agriculture: Bearer Plants*[2] |
| Amendments to HKAS 19 | *Defined Benefit Plans: Employee Contributions*[1] |
| Amendments to HKAS 27 (2011) | *Equity Method in Separate Financial Statements*[2] |
| *Annual Improvements 2010-2012 Cycle* | Amendments to a number of HKFRSs[1] |
| *Annual Improvements 2011-2013 Cycle* | Amendments to a number of HKFRSs[1] |
| *Annual Improvements 2012-2014 Cycle* | Amendments to a number of HKFRSs[2] |

1 Effective for annual periods beginning on or after 1st July, 2014
2 Effective for annual periods beginning on or after 1st January, 2016
3 Effective for annual periods beginning on or after 1st January, 2017
4 Effective for annual periods beginning on or after 1st January, 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1st January, 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31st December, 2015. The Group is in the process of making an assessment of the impact of these changes.

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1st January, 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1st January, 2016.

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

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1st January, 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

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

*The Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2 to the financial statements, the Group expects to adopt the amendments from 1st January, 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

## (b) Subsidiaries

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 results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Upon the disposal of investments in subsidiaries, any gain or loss arising thereon, including the realisation of the attributable reserves, is included in the statement of profit or loss.

Where the Group's equity interest in a subsidiary is diluted by virtue of the additional issue of shares by such subsidiary (i.e., a "deemed disposal"), any gain or loss arising from the deemed disposal, including the realisation of the attributable reserves, is dealt with in the Group's capital reserve.

### (c) 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 profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5.

### (d) Interest in a joint operation

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 interest in a joint operation:

- 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 operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

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

### (e) Fair value measurement

The Group measures its investment properties, derivative financial instruments and 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.

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

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.

### (g) Investment properties

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

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

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

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

### (h) 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.

*Trademark*
The useful life of trademark is assessed to be indefinite. Trademark with indefinite useful life is tested for impairment annually either individually or at the cash-generating unit level and is not amortised. The useful life of trademark 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.

### (i) 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 4.008% to 4.374% has been applied to the expenditure on the individual assets.

### (j) Investments and other financial assets

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

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

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

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

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

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

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

*Loans and receivables*

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

*Held-to-maturity investments*

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

*Available-for-sale financial investments*

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

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

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

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

## (k) Impairment of financial assets

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

*Financial assets carried at amortised cost*

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

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

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

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

*Available-for-sale financial investments*

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

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

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

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

## (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 as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

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

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

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

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

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

## (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 and hedge accounting

*Initial recognition and subsequent measurement*

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

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

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

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

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

*Cash flow hedges*

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

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

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

*Current versus non-current classification*

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

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

## (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:

| | |
|---|---|
| Freehold land | Not depreciated |
| Hotel land (excluding freeland land) | Over the lease terms |
| Hotel buildings | Over the shorter of 40 years or the remaining lease terms |
| Leasehold properties | Over the shorter of 40 years or the remaining lease terms |
| Leasehold improvements | Over the shorter of the remaining lease terms or 10% to 20% |
| Furniture, fixtures and equipment | 10% to 25% |
| Motor vehicles | 25% |
| Aircraft | Over the lease terms ranging from 60 to 72 months |

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) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads, including any related finance charges.

Revenue from short term construction contracts is recognised upon completion of the construction work.

Revenue from long term fixed price construction contracts is recognised by reference to the work certified by architects for the relevant contract. Gross construction profit is recognised when the relevant contract has been completed not less than 50% based on the percentage of completion method.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

### (v) Revenue recognition

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

(i) hotel and other agency and management services income, in the period in which such services are rendered;

(ii) rental income, in the period in which the properties/aircraft are let and on the straight-line basis over the lease terms;

(iii) income on sale of completed properties and outright sale of an entire development prior to completion, on the exchange of legally binding unconditional sales contracts;

(iv) fee income on short term construction contracts, on completion of the construction work;

(v) fee income on long term construction contracts, on the percentage of completion basis as further explained in note 2.4(u) above;

(vi) interest income, on an accrual basis using the effective interest method by applying the rate that 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;

(vii) dividend income, when the shareholders' right to receive payment has been established;

(viii) gain/loss from sale of investments at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged;

(ix) consultancy and management fees, in the period in which such services are rendered; and

(x) sale of food products, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the food products sold.

**(w) Foreign currencies**

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

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company 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 weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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.

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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, 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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### (y) Leases

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

### (z) Employee benefits

*Share-based payments*

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

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

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

*Staff retirement schemes*

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

## (aa) 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); and

(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).

### (ab) Cash and cash equivalents

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

### (ac) Dividends

Final dividend proposed by the Directors is classified as a separate allocation of retained profits within the equity section of the statement of financial position, until it has been approved by the shareholders in a general meeting. When the dividend has been approved by the shareholders and declared, it is recognised as a liability.

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.

### (ad) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### (a) Judgements

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

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

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

*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.

*Derivative financial instruments and hedging activities*

Derivative financial instruments and hedging activities require the Group to make judgements on the designation of the hedging relationship of the Group's derivatives and their hedge effectiveness. These judgements determine if the changes in fair values of the derivative instruments are recognised directly in other comprehensive income in the hedge reserve or any ineffective element is recognised in the statement of profit or loss.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. The Group uses judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group uses a discounted cash flow analysis for its derivative financial instruments that are not traded in active markets.

### (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 of goodwill at 31st December, 2014 was HK$261.0 million (2013 - HK$261.0 million). Further details are given in note 23 to the financial statements.

*Estimation of fair value of investment properties*

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

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

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

The carrying amount of investment properties at 31st December, 2014 was HK$1,946.6 million (2013 - HK$1,715.4 million). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

*Deferred tax assets*

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the carryforward of unused tax losses can be utilised. Recognition of deferred tax assets primarily involves judgements and estimations regarding the future performance of the Group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portions or all of the deferred tax assets will ultimately be realised, such as tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amounts of deferred tax assets and related taxable profit projections are reviewed at the end of each reporting period. The carrying value of gross deferred tax assets relating to recognised tax losses at 31st December, 2014 was HK$72.1 million (2013 - HK$6.1 million). The amount of unrecognised deferred tax assets at 31st December, 2014 was HK$706.1 million (2013 - HK$773.2 million). Further details are contained in note 33 to the financial statements.

*Allocation of construction cost 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 completed properties. Before the final settlement of the development costs and other costs relating to the sale of the completed 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.

*Impairment of trademark*

In accordance with HKAS 36 *Impairment of Assets*, the Group determines whether trademark is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the trademark is related. 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.

*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. The carrying amount of trademark at 31st December, 2014 was HK$610.2 million (2013 - HK$610.2 million).

*Impairment of property, plant and equipment – aircraft*

Impairment is recognised when events and circumstances indicate that aircraft may be impaired and the carrying amount of aircraft exceeds the recoverable amount. Recoverable amount is defined as the higher of an aircraft's 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 assets. When value in use calculations are undertaken, the Group uses discounted cash flow projections based on financial budgets approved by the management covering a specified period.

*Depreciation of property, plant and equipment – aircraft*

Aircraft are depreciated on the straight-line basis at rates which are calculated to write down the costs to their estimated residual values at the end of their operational lives. Certain estimates regarding the operational lives and residual values of the aircraft are made by the Group based on industry practice and internal technical valuation. The operational life and residual values are reviewed at least on an annual basis. The carrying amount of the Group's aircraft was HK$157.3 million (2013 - HK$174.6 million).

## 4. OPERATING SEGMENT INFORMATION

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

(a) the 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 through Regal Real Estate Investment Trust ("Regal REIT");

(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; and

(f) the others segment mainly comprises aircraft ownership and leasing business, the provision of financing services, travel agency services, sale of food products and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

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

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

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

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, 2014 and 2013:

## GROUP

| | Property development and investment | | Construction and building related businesses | | Hotel operation and management and hotel ownership | | Asset management | | Financial assets investments | | Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 HK$'m | 2013 HK$'m | 2014 HK$'m | 2013 HK$'m | 2014 HK$'m | 2013 HK$'m | 2014 HK$'m | 2013 HK$'m | 2014 HK$'m | 2013 HK$'m | 2014 HK$'m | 2013 HK$'m | 2014 HK$'m | 2013 HK$'m | 2014 HK$'m | 2013 HK$'m |
| Segment revenue: | | | | | | | | | | | | | | | | |
| Sales to external customers | 14.2 | 1,470.1 | 10.5 | 18.2 | 2,200.9 | 2,003.4 | – | – | 14.0 | 71.0 | 61.6 | 41.4 | – | – | 2,301.2 | 3,604.1 |
| Intersegment sales | 7.7 | 4.9 | 311.8 | 187.6 | – | – | 134.7 | 95.3 | – | – | 3.2 | – | (457.4) | (287.8) | – | – |
| **Total** | **21.9** | **1,475.0** | **322.3** | **205.8** | **2,200.9** | **2,003.4** | **134.7** | **95.3** | **14.0** | **71.0** | **64.8** | **41.4** | **(457.4)** | **(287.8)** | **2,301.2** | **3,604.1** |
| Segment results before depreciation | 248.1 | 398.7 | (4.4) | (5.1) | 971.0 | 908.0 | (16.2) | (14.3) | 61.8 | 0.3 | 29.2 | 6.9 | – | – | 1,289.5 | 1,294.5 |
| Depreciation | (14.0) | (1.4) | (0.7) | (0.5) | (480.7) | (449.5) | (0.3) | – | – | – | (18.3) | (6.8) | – | – | (514.0) | (458.2) |
| Segment results | 234.1 | 397.3 | (5.1) | (5.6) | 490.3 | 458.5 | (16.5) | (14.3) | 61.8 | 0.3 | 10.9 | 0.1 | – | – | 775.5 | 836.3 |
| Unallocated interest income and unallocated non-operating and corporate gains | | | | | | | | | | | | | | | 29.0 | 32.6 |
| Unallocated non-operating and corporate expenses | | | | | | | | | | | | | | | (156.6) | (117.8) |
| Operating profit | | | | | | | | | | | | | | | **647.9** | **751.1** |
| Finance costs | | | | | | | | | | | | | | | **(236.0)** | **(260.5)** |
| Share of profits and losses of: | | | | | | | | | | | | | | | | |
| A joint venture | – | 0.3 | – | – | – | – | – | – | – | – | – | – | – | – | **–** | **0.3** |
| Associates | 0.3 | 47.4 | – | – | 3.8 | (1.0) | – | – | – | – | (19.6) | (4.6) | – | – | **(15.5)** | **41.8** |
| Profit before tax | | | | | | | | | | | | | | | **396.4** | **532.7** |
| Income tax | | | | | | | | | | | | | | | **18.7** | **(84.9)** |
| Profit for the year before allocation between equity holders of the parent and non-controlling interests | | | | | | | | | | | | | | | **415.1** | **447.8** |
| Attributable to: | | | | | | | | | | | | | | | | |
| Equity holders of the parent | | | | | | | | | | | | | | | **283.7** | **322.9** |
| Non-controlling interests | | | | | | | | | | | | | | | **131.4** | **124.9** |
| | | | | | | | | | | | | | | | **415.1** | **447.8** |

## GROUP

| | Property development and investment | | Construction and building related businesses | | Hotel operation and management and hotel ownership | | Asset management | | Financial assets investments | | Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | HK$'m | HK$'m | HK$'m | HK$'m | HK$'m | HK$'m | HK$'m | HK$'m | HK$'m | HK$'m | HK$'m | HK$'m | HK$'m | HK$'m | HK$'m | HK$'m |
| Segment assets | 12,075.0 | 12,187.7 | 52.5 | 40.2 | 19,723.8 | 18,408.7 | 46.7 | 42.7 | 1,440.4 | 1,095.3 | 220.1 | 357.1 | (47.4) | (43.6) | 33,511.1 | 32,088.1 |
| Investments in associates | 6.1 | 5.8 | – | – | 7.1 | 6.1 | – | – | – | – | 12.5 | 15.7 | – | – | 25.7 | 27.6 |
| Cash and unallocated assets | | | | | | | | | | | | | | | 3,405.3 | 2,877.7 |
| Total assets | | | | | | | | | | | | | | | 36,942.1 | 34,993.4 |
| Segment liabilities | (83.6) | (63.5) | (156.0) | (75.9) | (411.4) | (359.4) | (3.4) | (1.7) | (15.6) | (10.7) | (34.4) | (22.6) | 47.4 | 43.6 | (657.0) | (490.2) |
| Interest bearing bank borrowings and unallocated liabilities | | | | | | | | | | | | | | | (15,842.0) | (13,921.9) |
| Total liabilities | | | | | | | | | | | | | | | (16,499.0) | (14,412.1) |
| Other segment information: | | | | | | | | | | | | | | | | |
| Capital expenditure | 1,266.2 | 2,626.5 | 1.0 | 3.0 | 210.2 | 157.2 | 1.8 | 0.1 | – | – | 0.8 | 102.7 | | | | |
| Gain on disposal of subsidiaries | – | (279.2) | – | – | – | – | – | – | – | – | – | – | | | | |
| Gain on bargain purchase | – | – | – | – | (35.0) | – | – | – | – | – | – | – | | | | |
| Recovery of loans receivable | (159.0) | – | – | – | – | – | – | – | – | – | – | – | | | | |
| Impairment of trade debtors | – | – | – | – | 0.1 | – | – | – | – | – | – | – | | | | |
| Fair value losses/(gains) on financial assets at fair value through profit or loss, net | – | – | – | – | – | – | – | – | (41.6) | 69.7 | – | – | | | | |
| Fair value losses/(gains) on investment properties, net | (54.3) | 9.0 | – | – | (18.0) | (18.0) | – | – | – | – | – | – | | | | |
| Interest income | (84.2) | (0.8) | – | – | (1.0) | (3.4) | – | – | (30.0) | (12.6) | (9.1) | (3.6) | | | | |

Geographical information

(a) Revenue from external customers

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Hong Kong | **2,222.6** | 2,084.3 |
| Mainland China | **33.3** | 1,506.6 |
| Other | **45.3** | 13.2 |
| | **2,301.2** | 3,604.1 |

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

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Hong Kong | **21,981.3** | 21,510.3 |
| Mainland China | **1,650.1** | 1,641.0 |
| Other | **288.5** | 174.6 |
| | **23,919.9** | 23,325.9 |

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

Information about a major customer

No further information about a major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer. For the year ended 31st December 2013, revenue of HK$1,460.7 million was derived from sales to a major customer in the property development and investment segment.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue (which is also the Group's turnover), other income and gains are analysed as follows:

| | GROUP | |
|---|---|---|
| | **2014** **HK$'million** | **2013** **HK$'million** |
| Revenue | | |
| Rental income: | | |
| Hotel properties | **46.2** | 38.5 |
| Investment properties | **17.2** | 14.0 |
| Properties held for sale | **2.8** | 0.1 |
| Aircraft | **33.8** | 13.2 |
| Construction and construction-related income | **5.8** | 13.8 |
| Proceeds from sale of properties | **–** | 1,461.0 |
| Estate management fees | **4.7** | 4.3 |
| Property development consultancy and project management fees | **–** | 0.1 |
| Net gain from sale of financial assets at fair value through profit or loss | **10.3** | 8.0 |
| Net gain/(loss) on settlement of derivative financial instruments | **(30.2)** | 39.7 |
| Interest income from financial assets at fair value through profit or loss | **18.7** | 7.9 |
| Dividend income from listed investments | **15.2** | 15.4 |
| Hotel operations and management services | **2,148.9** | 1,959.8 |
| Other operations | **27.8** | 28.3 |
| | **2,301.2** | 3,604.1 |
| Other income and gains | | |
| Bank interest income | **27.4** | 29.3 |
| Other interest income | **105.6** | 12.5 |
| Recovery of loans receivable | **159.0** | – |
| Fair value gain upon reclassification of a property held for sale to an investment property | **0.1** | – |
| Forfeiture of deposits | **–** | 27.1 |
| Others | **1.5** | 4.1 |
| | **293.6** | 73.0 |

## 6. PROFIT BEFORE TAX

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

| | GROUP | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| Cost of inventories sold and services provided | **814.2** | 724.7 |
| Depreciation | **515.4** | 458.5 |
| Less: Depreciation capitalised in respect of property development projects | **(0.1)** | – |
| | **515.3** | 458.5 |
| Employee benefit expenses* (exclusive of Directors' remuneration disclosed in note 8): | | |
| Salaries, wages and allowances | **672.5** | 589.8 |
| Staff retirement scheme contributions | **31.2** | 28.1 |
| Less: Forfeited contributions | **(0.8)** | (1.2) |
| | **702.9** | 616.7 |
| Less: Staff costs capitalised in respect of property development projects and construction contracts: | | |
| Salaries, wages and allowances | **(40.1)** | (23.1) |
| Staff retirement scheme contributions | **(3.3)** | (1.4) |
| | **659.5** | 592.2 |

* Inclusive of an amount of HK$546.8 million (2013 - HK$488.7 million) classified under the cost of inventories sold and services provided.

| | GROUP | |
|---|---|---|
| | **2014** **HK$'million** | 2013 HK$'million |
| Auditors' remuneration | **9.7** | 8.5 |
| Impairment of trade debtors | **0.1** | – |
| Minimum lease payments under operating leases: | | |
| Land and buildings | **26.7** | 22.4 |
| Plant and machinery | **0.3** | 0.3 |
| | **27.0** | 22.7 |
| Less: Minimum lease payments capitalised in respect of construction contracts: | | |
| Land and buildings | **(0.7)** | (0.6) |
| | **26.3** | 22.1 |
| Fair value losses/(gains) on financial assets at fair value through profit or loss, net | | |
| – held for trading | **(44.3)** | 46.6 |
| – designated as such upon initial recognition | **–** | 40.9 |
| – derivative instruments – transactions not qualifying as hedges | **2.7** | (17.8) |
| | **(41.6)** | 69.7 |
| Gross rental income | **(100.0)** | (65.8) |
| Less: Outgoings | **14.7** | 10.1 |
| Net rental income | **(85.3)** | (55.7) |
| Foreign exchange differences, net | **18.3** | 1.1 |

## 7. FINANCE COSTS

| | GROUP | |
|---|---|---|
| | **2014** **HK$'million** | **2013** **HK$'million** |
| Interest on bank loans wholly repayable within five years | **150.8** | 129.5 |
| Interest on other borrowings wholly repayable within five years | **181.9** | 156.5 |
| Amortisation of debt establishment costs | **33.8** | 65.0 |
| Total interest expenses on financial liabilities not at fair value through profit or loss | **366.5** | 351.0 |
| Fair value changes on derivative financial instruments – cash flow hedge (transfer from hedge reserve) | **6.0** | 6.1 |
| Other loan costs | **7.8** | 5.6 |
| | **380.3** | 362.7 |
| Less: Finance costs capitalised | **(144.3)** | (102.2) |
| | **236.0** | 260.5 |

## 8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

| | GROUP | |
|---|---|---|
| | **2014** **HK$'million** | **2013** **HK$'million** |
| Fees | **4.0** | 3.2 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **27.2** | 19.8 |
| Performance related/discretionary bonuses | **3.8** | 3.3 |
| Staff retirement scheme contributions | **1.7** | 1.5 |
| | **36.7** | 27.8 |

(a) Independent non-executive directors

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

| | **2014** **HK$'million** | **2013** **HK$'million** |
|---|---|---|
| Mr. Bowen Joseph Leung Po Wing, GBS, JP | **0.18** | 0.18 |
| Mr. Ng Siu Chan | **0.42** | 0.42 |
| Hon Abraham Shek Lai Him, GBS, JP | **0.51** | 0.33 |
| Mr. Wong Chi Keung | **0.52** | 0.52 |
| | **1.63** | 1.45 |

- For the year ended 31st December, 2014, Directors' fees entitled by the independent non-executive directors of the Company also included a fee for serving as members of the Audit Committee (HK$0.1 million per annum and HK$0.05 million per annum as its chairman and a member, respectively), the Nomination Committee (HK$0.03 million per annum) and the Remuneration Committee (HK$0.03 million per annum) of the Group, where applicable, amounted to HK$1.63 million (2013 - HK$1.45 million, which also included fees for serving as members of the Board Committees).

- The fees paid to Mr. Ng Siu Chan and Mr. Wong Chi Keung for the year ended 31st December, 2014 also included a fee for serving as an independent non-executive director as well as a member of each of the audit committee, the nomination committee and the remuneration committee of Regal Hotels International Holdings Limited ("RHIHL" and together with its subsidiaries, the "RHIHL Group") amounted to HK$0.21 million (2013 - HK$0.21 million) and HK$0.26 million (2013 - HK$0.26 million), respectively.

- The fees paid to Hon Abraham Shek Lai Him, GBS, JP for the year ended 31st December, 2014 also included (i) a fee for serving as an independent non-executive director as well as a member of the audit committee of Regal Portfolio Management Limited ("RPML") (the manager of Regal REIT) amounted to HK$0.15 million (2013 - HK$0.15 million); and (ii) a fee of HK$0.1 million per annum for serving as an independent non-executive director of Cosmopolitan International Holdings Limited ("Cosmopolitan" and together with its subsidiaries, the "Cosmopolitan Group") as well as a fee of HK$0.05 million per annum in acting as a member of the audit committee and HK$0.03 million also per annum in acting as a member of the nomination committee of Cosmopolitan since 18th December, 2013.

There were no other emoluments payable to the independent non-executive directors during the year (2013 - Nil).

(b) Executive directors

| | Fees HK$'million (Note) | Salaries, allowances and benefits in kind HK$'million | Performance related/ discretionary bonuses HK$'million | Staff retirement scheme contributions HK$'million | Total remuneration HK$'million |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Mr. Lo Yuk Sui | 0.58 | 11.99 | 1.55 | 0.74 | 14.86 |
| Mr. Jimmy Lo Chun To | 0.40 | 4.45 | 0.41 | 0.19 | 5.45 |
| Mr. Donald Fan Tung | 0.30 | 2.03 | 0.51 | 0.20 | 3.04 |
| Miss Lo Po Man | 0.40 | 4.45 | 0.43 | 0.20 | 5.48 |
| Mr. Kenneth Ng Kwai Kai | 0.45 | 2.41 | 0.50 | 0.19 | 3.55 |
| Mr. Kenneth Wong Po Man | 0.20 | 1.85 | 0.44 | 0.19 | 2.68 |
| | 2.33 | 27.18 | 3.84 | 1.71 | 35.06 |
| **2013** | | | | | |
| Mr. Lo Yuk Sui | 0.42 | 11.19 | 1.38 | 0.66 | 13.65 |
| Mr. Jimmy Lo Chun To | 0.30 | 1.46 | 0.31 | 0.15 | 2.22 |
| Mr. Donald Fan Tung | 0.30 | 1.89 | 0.44 | 0.19 | 2.82 |
| Miss Lo Po Man | 0.30 | 1.46 | 0.31 | 0.15 | 2.22 |
| Mr. Kenneth Ng Kwai Kai | 0.35 | 2.21 | 0.46 | 0.18 | 3.20 |
| Mr. Kenneth Wong Po Man | 0.10 | 1.62 | 0.35 | 0.16 | 2.23 |
| | 1.77 | 19.83 | 3.25 | 1.49 | 26.34 |

Notes:

For the year ended 31st December, 2014, the fees entitled by:

– Mr. Lo Yuk Sui also included (i) a fee of HK$0.03 million (2013 - HK$0.3 million) per annum entitled by him for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company; (ii) a fee of HK$0.1 million (2013 - HK$0.1 million) per annum entitled by him for serving as an executive director of RHIHL and a fee of HK$0.03 million (2013 - HK$0.3 million) per annum for serving as a member of each of the nomination committee and the remuneration committee of RHIHL; (iii) a fee of HK$0.1 million per annum entitled by him for serving as an executive director of Cosmopolitan since 18th December, 2013 and a fee of HK$0.03 million per annum for serving as a member of each of the nomination committee and the remuneration committee of Cosmopolitan also since 18th December, 2013; and (iv) a fee of HK$0.1 million (2013 - HK$0.1 million) per annum entitled by him for serving as a non-executive director of RPML.

– Mr. Jimmy Lo Chun To and Miss Lo Po Man also included (i) a fee of HK$0.1 million (2013 - HK$0.1 million) per annum entitled by each of these Directors for serving as an executive director of RHIHL; (ii) a fee of HK$0.1 million per annum entitled by each of these Directors for serving as an executive director of Cosmopolitan since 18th December, 2013; and (iii) a fee of HK$0.1 million (2013 - HK$0.1 million) per annum entitled by each of these Directors for serving as a non-executive director of RPML.

– Mr. Donald Fan Tung also included (i) a fee of HK$0.1 million (2013 - HK$0.1 million) per annum entitled by him for serving as an executive director of RHIHL; and (ii) a fee of HK$0.1 million (2013 - HK$0.1 million) per annum entitled by him for serving as a non-executive director of RPML.

– Mr. Kenneth Ng Kwai Kai also included (i) a fee of HK$0.1 million (2013 - HK$0.1 million) per annum entitled by him for serving as an executive director of RHIHL; (ii) a fee of HK$0.1 million (nine months ended 31st December, 2013 - HK$0.108 million, which was revised to HK$0.1 million effective from 18th December, 2013) per annum entitled by him for serving as an executive director of Cosmopolitan whose office was re-designated as an executive director of Cosmopolitan on 18th December, 2013; and (iii) a fee of HK$0.1 million (2013 - HK$0.1 million) per annum entitled by him for serving as a non-executive director of RPML and a fee of HK$0.05 million (2013 - HK$0.05 million) per annum for serving as a member of the audit committee of RPML.

– Mr. Kenneth Wong Po Man also included a fee of HK$0.1 million (nine months ended 31st December, 2013 - HK$0.108 million, which was revised to HK$0.1 million effective from 18th December, 2013) per annum entitled by him for serving as an executive director of Cosmopolitan whose office was re-designated as an executive director of Cosmopolitan on 18th December, 2013.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

## 9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals during the year included four (2013 - four) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. Details of the remuneration for the year of the remaining one (2013 - one) individual, who was not a Director, are as follows:

| | GROUP | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| Salaries and other emoluments | **2.4** | 2.2 |
| Performance related/discretionary bonuses | **0.5** | 0.5 |
| Staff retirement scheme contributions | **0.2** | 0.2 |
| | **3.1** | 2.9 |

The emoluments of the remaining one (2013 - one) individual fell within the band of HK$3,000,001 - HK$3,500,000 (2013 – HK$2,500,001 - HK$3,000,000).

## 10. INCOME TAX

| | GROUP | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| Group: | | |
| Current – Hong Kong | | |
| Charge for the year | **86.9** | 65.9 |
| Overprovision in prior years | **(14.1)** | (0.8) |
| Current – Overseas | | |
| Charge for the year | **11.5** | 53.2 |
| Underprovision in prior years | **0.1** | 0.2 |
| Deferred (note 33) | **(103.1)** | (33.6) |
| Total tax charge/(credit) for the year | **(18.7)** | 84.9 |

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2013 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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

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

| | GROUP | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| Profit before tax | **396.4** | 532.7 |
| Tax at the Hong Kong statutory tax rate of 16.5% (2013 - 16.5%) | **65.4** | 87.9 |
| Adjustment in respect of current tax of previous years | **(14.0)** | (0.6) |
| Profits and losses attributable to a joint venture and associates | **2.6** | (6.9) |
| Lower tax rate of other jurisdiction | **(7.3)** | (26.8) |
| Income not subject to tax | **(101.2)** | (40.6) |
| Expenses not deductible for tax | **98.3** | 50.9 |
| Tax losses utilised from previous years | **(29.0)** | (19.4) |
| Tax losses not recognised during the year | **31.3** | 32.1 |
| Recognition of deferred tax assets previously not recognised | **(62.4)** | – |
| Others | **(2.4)** | 8.3 |
| Tax charge/(credit) at the Group's effective rate of 4.7% (2013 - 15.9%) | **(18.7)** | 84.9 |

No provision for tax is required for the associates as no assessable profits were earned by the associates during the year. The share of tax attributable to associates amounting to HK$9.3 million was included in "Share of profits and losses of associates" in the consolidated statement of profit or loss for the prior year.

## 11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31st December, 2014 includes a loss of HK$4.1 million (2013 - HK$4.5 million) which has been dealt with in the financial statements of the Company. In addition, the Company also recorded a dividend income of HK$500.0 million from a subsidiary attributable to previous years' profits during the prior year. In aggregate, the Company's profit for the year ended 31st December, 2013 amounted to HK$495.5 million (note 35(b)).

## 12. DIVIDENDS

| | 2014<br>HK$'million | 2013<br>HK$'million |
|---|---|---|
| Interim - HK2.3 cents (2013 - HK2.2 cents) per ordinary share | **25.6** | 24.5 |
| Proposed final - HK9.3 cents (2013 - HK9.3 cents) per ordinary share | **103.7** | 103.7 |
| | **129.3** | 128.2 |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 13. EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per ordinary share

The calculation of the basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK$283.7 million (2013 - HK$322.9 million) and on the weighted average of 1,114.8 million (2013 - 1,115.0 million) ordinary shares of the Company in issue during the year.

(b) Diluted earnings per ordinary share

No adjustment has been made to the basic earnings per ordinary share amount presented for the years ended 31st December, 2014 and 2013 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

## 14. PROPERTY, PLANT AND EQUIPMENT

GROUP

| | Hotel land and 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, 2014** | | | | | | | | |
| At 31st December, 2013 and at 1st January, 2014 | | | | | | | | |
| Cost | 17,861.0 | 29.1 | 1,736.9 | 283.2 | 3.2 | 180.3 | 4.6 | 20,098.3 |
| Accumulated depreciation | (701.5) | (1.9) | – | (43.3) | (0.9) | (5.7) | – | (753.3) |
| Net carrying amount | 17,159.5 | 27.2 | 1,736.9 | 239.9 | 2.3 | 174.6 | 4.6 | 19,345.0 |
| At 1st January, 2014, net of accumulated depreciation | 17,159.5 | 27.2 | 1,736.9 | 239.9 | 2.3 | 174.6 | 4.6 | 19,345.0 |
| Additions | – | – | 229.3 | 103.1 | 0.3 | – | 13.5 | 346.2 |
| Transfer | 1,569.5 | 395.2 | (1,569.5) | 3.1 | – | – | (3.1) | 395.2 |
| Acquisition of a business (note 36(a)) | 123.1 | – | – | – | – | – | – | 123.1 |
| Write-off/Disposals | – | – | – | (1.3) | – | – | – | (1.3) |
| Write-back of depreciation upon write-off/disposals | – | – | – | 0.8 | – | – | – | 0.8 |
| Depreciation provided during the year | (434.4) | (12.6) | – | (50.8) | (0.8) | (16.8) | – | (515.4) |
| Exchange realignment | (5.3) | – | – | (0.1) | – | (0.5) | (0.1) | (6.0) |
| At 31st December, 2014, net of accumulated depreciation | 18,412.4 | 409.8 | 396.7 | 294.7 | 1.8 | 157.3 | 14.9 | 19,687.6 |
| At 31st December, 2014: | | | | | | | | |
| Cost | 19,548.3 | 424.3 | 396.7 | 388.0 | 3.5 | 179.8 | 14.9 | 20,955.5 |
| Accumulated depreciation | (1,135.9) | (14.5) | – | (93.3) | (1.7) | (22.5) | – | (1,267.9) |
| Net carrying amount | 18,412.4 | 409.8 | 396.7 | 294.7 | 1.8 | 157.3 | 14.9 | 19,687.6 |

| | GROUP | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Hotel land and 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, 2013** | | | | | | | | |
| At 1st January, 2013 | | | | | | | | |
| Cost | 17,861.0 | 29.1 | 2,469.8 | 91.8 | 2.2 | 81.8 | 30.3 | 20,566.0 |
| Accumulated depreciation | (276.9) | (1.0) | – | (17.6) | (0.7) | – | – | (296.2) |
| Net carrying amount | 17,584.1 | 28.1 | 2,469.8 | 74.2 | 1.5 | 81.8 | 30.3 | 20,269.8 |
| At 1st January, 2013, net of accumulated depreciation | 17,584.1 | 28.1 | 2,469.8 | 74.2 | 1.5 | 81.8 | 30.3 | 20,269.8 |
| Additions | – | – | 303.4 | 161.8 | 0.3 | 98.5 | 4.4 | 568.4 |
| Transfer | – | – | – | 30.3 | – | – | (30.3) | – |
| Acquisition of subsidiaries (note 36(b)) | – | – | – | 1.1 | 1.4 | – | 0.2 | 2.7 |
| Disposal of subsidiaries (note 38(b)) | – | – | (1,038.6) | (0.4) | (0.3) | – | – | (1,039.3) |
| Write-off/Disposals | – | – | – | (1.2) | (0.2) | – | – | (1.4) |
| Write-back of depreciation upon write-off/disposals | – | – | – | 0.7 | 0.2 | – | – | 0.9 |
| Depreciation provided during the year | (424.6) | (0.9) | – | (26.7) | (0.6) | (5.7) | – | (458.5) |
| Exchange realignment | – | – | 2.3 | 0.1 | – | – | – | 2.4 |
| At 31st December, 2013, net of accumulated depreciation | 17,159.5 | 27.2 | 1,736.9 | 239.9 | 2.3 | 174.6 | 4.6 | 19,345.0 |
| At 31st December, 2013: | | | | | | | | |
| Cost | 17,861.0 | 29.1 | 1,736.9 | 283.2 | 3.2 | 180.3 | 4.6 | 20,098.3 |
| Accumulated depreciation | (701.5) | (1.9) | – | (43.3) | (0.9) | (5.7) | – | (753.3) |
| Net carrying amount | 17,159.5 | 27.2 | 1,736.9 | 239.9 | 2.3 | 174.6 | 4.6 | 19,345.0 |

The Group's hotel land and buildings and leasehold properties with a net carrying amount of HK$18,705.0 million (2013 - HK$17,186.7 million) are situated in Hong Kong and are held under the following lease terms:

| | 2014<br>HK$'million | 2013<br>HK$'million |
|---|---|---|
| Long term lease | **10,638.7** | 9,154.7 |
| Medium term lease | **8,066.3** | 8,032.0 |
| | **18,705.0** | 17,186.7 |

In addition, the Group's hotel land and buildings with a net carrying amount of HK$117.2 million (2013 - Nil) are situated outside Hong Kong and are held freehold.

The Group's properties under construction with a carrying amount of HK$396.7 million (2013 - HK$1,736.9 million) are situated in Hong Kong and are held under long term leases.

At 31st December, 2014, the Group's property, plant and equipment with a net carrying amount of HK$12,894.4 million (2013 - HK$12,820.2 million) were pledged to secure banking facilities granted to the Group.

## 15. INVESTMENT PROPERTIES

| | GROUP | |
|---|---|---|
| | 2014<br>HK$'million | 2013<br>HK$'million |
| Completed investment properties | **1,164.6** | 1,035.4 |
| Investment properties under construction | **782.0** | 680.0 |
| | **1,946.6** | 1,715.4 |
| The movements of investment properties during the year are as follows: | | |
| Carrying amount at 1st January | **1,715.4** | 948.3 |
| Acquisitions | **–** | 749.9 |
| Transfer from properties held for sale | **120.0** | – |
| Capital expenditure for the year | **38.9** | 8.2 |
| Net gain from fair value adjustments | **72.3** | 9.0 |
| Carrying amount at 31st December | **1,946.6** | 1,715.4 |

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Long term lease | **198.0** | 180.0 |
| Medium term lease | **1,748.6** | 1,535.4 |
| | **1,946.6** | 1,715.4 |

The Directors of the Company determined the Group's investment properties into different classes of asset based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31st December, 2014 based on valuations performed by Savills Valuation and Professional Services Limited, DTZ Debenham Tie Leung Limited and Great China Appraisal Limited, three independent professionally qualified valuers, at HK$1,946.6 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 investment properties are leased to third parties under operating leases, further summary details of which are included in note 42(a) to the financial statements.

During the year, gross rental income and direct operating expenses of investment properties amounted to HK$17.2 million (2013 - HK$14.0 million) and HK$3.4 million (2013 - HK$2.2 million), respectively.

At 31st December, 2014, the Group's investment properties with a carrying value of HK$319.0 million (2013 - HK$303.0 million) were pledged to secure banking facilities granted to the Group.

Further particulars of the Group's completed investment properties and investment properties under construction are included on pages 168 to 170 and page 165, respectively.

**Fair value hierarchy**

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

| | Fair value measurement as at 31st December, 2014 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 | – | – | 966.2 | 966.2 |
| Commercial properties | – | – | 198.0 | 198.0 |
| Commercial properties under construction | – | – | 782.0 | 782.0 |
| Industrial properties | – | – | 0.4 | 0.4 |
| | – | – | 1,946.6 | 1,946.6 |

| | Fair value measurement as at 31st December, 2013 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 | – | – | 855.0 | 855.0 |
| Commercial properties | – | – | 180.0 | 180.0 |
| Commercial properties under construction | – | – | 680.0 | 680.0 |
| Industrial properties | – | – | 0.4 | 0.4 |
| | – | – | 1,715.4 | 1,715.4 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2013 - Nil).

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

| | Residential properties HK$'million | Commercial properties HK$'million | Commercial properties under construction HK$'million | Industrial properties HK$'million |
|---|---|---|---|---|
| Carrying amount at 1st January, 2013 | 786.0 | 162.0 | – | 0.3 |
| Acquisitions | 88.0 | – | 661.9 | – |
| Capital expenditure for the year | – | – | 8.2 | – |
| Gain/(Loss) from fair value adjustments | (19.0) | 18.0 | 9.9 | 0.1 |
| Carrying amount at 31st December, 2013 and 1st January, 2014 | 855.0 | 180.0 | 680.0 | 0.4 |
| Transfer from properties held for sale | 120.0 | – | – | – |
| Capital expenditure for the year | 0.9 | – | 38.0 | – |
| Gain/(Loss) from fair value adjustments | (9.7) | 18.0 | 64.0 | – |
| Carrying amount at 31st December, 2014 | 966.2 | 198.0 | 782.0 | 0.4 |

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 2014 | Range 2013 |
|---|---|---|---|---|
| Residential properties | Sales comparison approach | Estimated market price per square foot | HK$23,541 to HK$33,913 | HK$25,131 to HK$36,272 |
| Commercial properties | Discounted cash flow method | Capitalisation rate | 3.25% to 3.75% | 3.25% to 3.75% |
| | | Discount rate | 6.25% to 6.75% | 6.25% to 6.75% |
| | | Estimated rental value per square metre and per month | HK$438 to HK$1,638 | HK$403 to HK$1,465 |
| Commercial properties under construction | Residual method | Estimated price per square foot | HK$13,585 to HK$20,900 | HK$11,815 to HK$20,088 |
| | | Estimated cost to completion per square foot | HK$4,080 | HK$3,650 |
| | | Estimated developer's profit | 19% | 19% |
| | | Interest rate | 3.5% | 3.5% |
| Industrial properties | Sales comparison approach | Estimated market price per square foot | HK$55 to HK$162 | HK$55 to HK$162 |

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

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

Under the residual method, fair value is estimated by reference to the properties' development potential by deducting development costs, interest and developer's profit from the estimated gross development value.

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

For commercial properties under construction, a significant increase/(decrease) in the estimated price per square foot in isolation would result in a significant increase/(decrease) in the fair value of the properties. A significant increase/(decrease) in estimated cost to completion per square foot, estimated developer's profit and interest rate in isolation would result in a significant decrease/(increase) in the fair value of the properties.

## 16. PROPERTIES UNDER DEVELOPMENT

| | GROUP | |
|---|---|---|
| | **2014** **HK$'million** | **2013** **HK$'million** |
| Balance at 1st January | **7,059.0** | 1,201.9 |
| Acquisition/Deemed acquisition of subsidiaries (note 36(b)) | **–** | 3,560.8 |
| Disposal of subsidiaries (note 38(b)) | **–** | (828.0) |
| Additions | **910.8** | 3,104.0 |
| Exchange realignment | **(47.7)** | 20.3 |
| Balance at 31st December | **7,922.1** | 7,059.0 |
| Portion included in current assets | **(6,617.0)** | (5,750.4) |
| Non-current portion | **1,305.1** | 1,308.6 |

| | **2014** **HK$'million** | **2013** **HK$'million** |
|---|---|---|
| Properties under development expected to be completed within normal operating cycle included under current assets and recovered: | | |
| Within one year | **534.7** | 492.7 |
| After one year | **6,082.3** | 5,257.7 |
| | **6,617.0** | 5,750.4 |

The Group's properties under development are situated in Hong Kong and Mainland China and are held under the following lease terms:

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Hong Kong | | |
| Long term lease | **540.3** | 480.8 |
| Medium term lease | **3,550.8** | 2,903.7 |
| | **4,091.1** | 3,384.5 |
| Mainland China | | |
| Long term lease | **2,720.6** | 2,579.2 |
| Medium term lease | **1,110.4** | 1,095.3 |
| | **3,831.0** | 3,674.5 |
| | **7,922.1** | 7,059.0 |

At 31st December, 2014, the Group's properties under development with a carrying amount of HK$3,773.9 million (2013 - HK$503.2 million) were pledged to secure banking facilities granted to the Group.

During the year ended 31st December, 2014, the Group has entered into a development agreement ("Development Agreement") with the Urban Renewal Authority ("URA"), for a development project at Shun Ning Road, Sham Shui Po, Kowloon, Hong Kong, in the form of a joint operation. Under the Development Agreement, the Group is mainly responsible for the construction of the development project and the relevant costs incurred are included as part of the Group's properties under development. 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.

## 17. INVESTMENTS IN ASSOCIATES

| | GROUP | |
|---|---|---|
| | 2014 HK$'million | 2013 HK$'million |
| Unlisted companies: | | |
| Share of net liabilities | **(19.9)** | (1.3) |
| Amounts due from associates | **45.6** | 28.9 |
| | **25.7** | 27.6 |

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

In the opinion of the Directors, the amounts due from associates are considered as part of the Group's net investments in the associates.

Details of the Group's principal associates are as follows:

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital | Percentage of equity interest attributable to the Group 2014 | 2013 | Principal activities |
|---|---|---|---|---|---|
| Cheerjoy Development Limited* | Hong Kong | HK$2 | 30.0 | 30.0 | Property development |
| 8D International (BVI) Limited ("8D-BVI") | British Virgin Islands | HK$1,000 | 30.0[(1)] | 30.0[(1)] | Investment holding |
| 8D International Limited# ("8D International") | Hong Kong | HK$500,000 | 36.0[(1)] | 36.0[(1)] | Advertising and promotion |
| 8D Matrix Limited ("8D Matrix") | British Virgin Islands | HK$2,000,000 | 36.0[(1)] | 36.0[(1)] | Investment holding |
| Bright Future (HK) Limited* | Hong Kong | HK$10,000 | 50.0[(1)] | 50.0[(1)] | Investment holding |
| Century Innovative Technology Limited# ("Century Innovative") | Hong Kong | HK$1 | 36.0[(1)] | 36.0[(1)] | Development and distribution of edutainment products |
| 深圳市世紀創意科技有限公司*# ("深圳市世紀創意") | PRC/ Mainland China | RMB30,000,000 | 36.0[(1)] | 36.0[(1)] | Development and distribution of edutainment products |

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

\# These are wholly owned subsidiaries of 8D Matrix.

(1) The percentages of equity interest represent those attributable to RHIHL, including, in the cases of 8D International, 8D Matrix, Century Innovative and 深圳市世紀創意, a 6% attributable interest held by RHIHL through 8D-BVI.

The above table lists the associates of the Group 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 associates would, in the opinion of the Directors, result in particulars of excessive length. All associates were indirectly held by the Company.

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

The following table illustrates the summarised financial information in respect of 8D Matrix adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Non-current assets | **22.9** | 21.1 |
| Current assets | **12.4** | 25.1 |
| Current liabilities | **(4.1)** | (6.1) |
| Non-current financial liabilities | **(111.7)** | (65.3) |
| | **(80.5)** | (25.2) |
| Non-controlling interests | **(0.2)** | (0.2) |
| Net liabilities attributable to equity holders of the parent | **(80.7)** | (25.4) |
| Reconciliation to the Group's interest in the associate: | | |
| Proportion of the Group's ownership | **30%** | 30% |
| Group's share of net liabilities of the associate | **(24.2)** | (7.6) |
| Amount due from the associate | **33.5** | 19.6 |
| Carrying amount of the investment | **9.3** | 12.0 |
| Revenue | **13.8** | 10.5 |
| Loss for the year | **(54.5)** | (15.5) |
| Other comprehensive loss | **(0.8)** | – |
| Total comprehensive loss for the year | **(55.3)** | (15.5) |

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

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Share of the associates' profit for the year | **0.8** | 46.4 |
| Share of the associates' other comprehensive income/(loss) for the year | **(2.9)** | 0.5 |
| Share of the associates' total comprehensive income/(loss) for the year | **(2.1)** | 46.9 |
| Aggregate carrying amount of the Group's investments in associates | **16.4** | 15.6 |

## 18. AVAILABLE-FOR-SALE INVESTMENTS

| | GROUP | |
|---|---|---|
| | **2014** **HK$'million** | **2013** **HK$'million** |
| **Non-current assets:** | | |
| Unlisted investments, at fair value | **131.8** | 18.3 |

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$28.2 million (2013 - Nil).

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

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | GROUP | |
|---|---|---|
| | **2014** **HK$'million** | **2013** **HK$'million** |
| **Non-current assets:** | | |
| Structured deposit, at fair value | **1.9** | – |
| **Current assets:** | | |
| Hong Kong listed equity investments, at market value | **610.4** | 631.1 |
| Hong Kong listed debt investments, at market value | **134.3** | 67.5 |
| Overseas listed debt investments, at market value | **119.6** | 54.3 |
| Structured deposits, at fair value | **–** | 11.7 |
| | **864.3** | 764.6 |

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

The listed equity investments and listed debt investments included under current assets at 31st December, 2014 and 2013 were classified as held for trading.

## 20. HELD-TO-MATURITY INVESTMENTS

At 31st December, 2014, the amount represents unlisted certificates of deposit with fixed maturity dates. Except for an amount of HK$77.6 million (2013 - HK$38.8 million) which is denominated in United States dollars, all unlisted certificates of deposit are denominated in Renminbi with fixed interest rates ranging from 1.6% to 4.0% per annum (2013 - 1.1% to 3.2% per annum).

## 21. LOANS RECEIVABLE

| | | GROUP | |
|---|---|---|---|
| | Notes | **2014 HK$'million** | **2013 HK$'million** |
| Long term mortgage loans | (a) | **1.8** | 2.8 |
| Other loan | (b) | **13.2** | 12.3 |
| Balance at 31st December | | **15.0** | 15.1 |
| Portion included in current assets | | **(13.3)** | (6.7) |
| Non-current portion | | **1.7** | 8.4 |

Notes:

(a) The long term mortgage loans represent loans granted to purchasers in connection with the sale of the Group's properties. The loans are secured by second mortgages over the properties sold and are repayable by instalments in 15 to 20 years. The long term mortgage loans bear interest at rates ranging from the Hong Kong prime rate to the Hong Kong prime rate plus 2% per annum.

(b) The other loan represents the outstanding balance of a loan in an original sum of US$10.0 million (HK$78.0 million) advanced to the owner of a hotel in Shanghai, the PRC, which is managed by the Group. The loan is unsecured, interest-free and repayable in instalments, the last of which falls due no later than 2015.

## 22. TRADEMARK

| | GROUP | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| Cost and carrying amount at 1st January and 31st December | **610.2** | 610.2 |

## 23. GOODWILL

| | GROUP | |
|---|---|---|
| | **2014** **HK$'million** | **2013** **HK$'million** |
| Cost and carrying amount at 1st January | **261.0** | – |
| Acquisition of a listed subsidiary (note 36(b)) | **–** | 261.0 |
| Cost and carrying amount at 31st December | **261.0** | 261.0 |

No impairment was made on the goodwill as at 31st December, 2014 and 2013.

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the property development cash-generating unit. The recoverable amount of the property development cash-generating unit 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 projected cash flows have been prepared to reflect the development plan of the property projects, comprising residential, commercial and hotel buildings. The discount rate applied to the cash flow projections is 21.6% (2013 - 22.8%).

Assumptions were used in the value in use calculation of the property development cash-generating unit for 31st December, 2014. 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 property development cash-generating unit, 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.

*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 where the raw materials are to be sourced.

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

## 24. PROPERTIES HELD FOR SALE

At 31st December, 2014, the Group's properties held for sale with a carrying amount of HK$515.5 million (2013 - HK$663.7 million) were pledged to secure banking facilities granted to the Group.

## 25. INVENTORIES

| | GROUP | |
|---|---|---|
| | **2014** | **2013** |
| | **HK$'million** | **HK$'million** |
| Hotel and other merchandise | **35.7** | 33.6 |
| Work in progress | **21.1** | 21.9 |
| Finished goods | **0.4** | 1.0 |
| | **57.2** | 56.5 |

## 26. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$125.6 million (2013 - HK$130.2 million) representing the trade debtors of the Group.

| | GROUP | |
|---|---|---|
| | **2014** | **2013** |
| | **HK$'million** | **HK$'million** |
| Trade debtors | **127.9** | 132.4 |
| Impairment | **(2.3)** | (2.2) |
| | **125.6** | 130.2 |

**Credit terms**

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

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

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

| | GROUP | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| Outstanding balances with ages: | | |
| Within 3 months | **112.1** | 110.2 |
| Between 4 to 6 months | **4.1** | 9.3 |
| Between 7 to 12 months | **2.7** | 3.8 |
| Over 1 year | **9.0** | 9.1 |
| | **127.9** | 132.4 |
| Impairment | **(2.3)** | (2.2) |
| | **125.6** | 130.2 |

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

| | GROUP | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| At 1st January | **2.2** | 2.2 |
| Impairment losses recognised (note 6) | **0.1** | – |
| At 31st December | **2.3** | 2.2 |

The above provision for impairment of trade debtors represents a provision for individually impaired trade debtors of HK$2.3 million (2013 - HK$2.2 million) with a gross carrying amount before provision of HK$2.3 million (2013 - HK$2.2 million). The individually impaired trade debtors relate to customers that were in financial difficulties and the balances are not expected to be recovered.

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

| | GROUP | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| Neither past due nor impaired | **74.0** | 71.3 |
| Less than 3 months past due | **38.3** | 39.9 |
| 4 to 6 months past due | **4.0** | 8.4 |
| 7 to 12 months past due | **2.7** | 3.8 |
| Over 1 year past due | **6.6** | 6.8 |
| | **125.6** | 130.2 |

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

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

Included in the balances are amounts due from a fellow subsidiary and a related company of HK$0.9 million (2013 - HK$0.9 million) and HK$1.3 million (2013 - HK$1.3 million), respectively, which are unsecured, non-interest bearing and repayable either on similar credit terms to those offered to the major customers of the Group or on demand.

## 27. RESTRICTED CASH

At 31st December, 2014, the Group had approximately HK$47.2 million (2013 - HK$51.9 million) of cash which was restricted as to use and mainly to be utilised for the purpose of servicing the finance costs and repayments on certain interest bearing bank borrowings, funding the furniture, fixtures and equipment reserve for use in the hotel buildings, and deposits of certain tenants in respect of certain investment properties.

## 28. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK$136.2 million (2013 - HK$85.0 million) representing the trade creditors of the Group. The aged analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

| | GROUP | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| Outstanding balances with ages: | | |
| Within 3 months | **135.3** | 84.2 |
| Between 4 to 6 months | **0.2** | 0.3 |
| Between 7 to 12 months | **0.3** | – |
| Over 1 year | **0.4** | 0.5 |
| | **136.2** | 85.0 |

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 fellow subsidiaries of HK$1.6 million (2013 - HK$3.0 million) and HK$6.7 million (2013 - HK$5.8 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

## 29. CONSTRUCTION CONTRACTS

| | GROUP 2014 HK$'million | GROUP 2013 HK$'million |
|---|---|---|
| Gross amount due from contract customers included in debtors, deposits and prepayments | **0.6** | 6.8 |
| Gross amount due to contract customers included in creditors and accruals | **(3.2)** | (10.6) |
| | **(2.6)** | (3.8) |
| Contract costs incurred plus recognised profits less recognised losses to date | **957.1** | 835.5 |
| Less: Progress billings | **(959.7)** | (839.3) |
| | **(2.6)** | (3.8) |

At 31st December, 2014, retentions held by customers for contract works, as included in debtors, deposits and prepayments under current assets, amounted to approximately HK$0.8 million (2013 - HK$2.9 million).

## 30. INTEREST BEARING BANK BORROWINGS

| | GROUP 2014 Maturity | GROUP 2014 HK$'million | GROUP 2013 Maturity | GROUP 2013 HK$'million |
|---|---|---|---|---|
| **Current** | | | | |
| Bank loans – secured | **2015** | **1,375.9** | 2014 | 1,624.0 |
| **Non-current** | | | | |
| Bank loans – secured | **2016-2019** | **7,770.8** | 2015-2018 | 5,599.8 |
| | | **9,146.7** | | 7,223.8 |

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year | **1,375.9** | 1,624.0 |
| In the second year | **191.4** | 755.7 |
| In the third to fifth years, inclusive | **7,579.4** | 4,844.1 |
| | **9,146.7** | 7,223.8 |

The agreement for a term loan facility up to HK$4,500.0 million and a revolving facility of up to HK$300.0 million (the "2013 IH Facilities") was entered into on 23rd July, 2013 by Regal REIT group, through its wholly owned subsidiaries, namely, Bauhinia Hotels Limited and Rich Day Investments Limited as the borrowers, for a term of five years to July 2018, and is secured by three of the five initial Regal Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. As at 31st December, 2014, the outstanding amount on the 2013 IH Facilities was HK$4,520.0 million, comprised of the full amount of the term loan facilities of HK$4,500.0 million and the amount outstanding under the revolving facility of HK$20.0 million. The Regal REIT group entered into interest rate swap arrangements to hedge against interest rate exposure for the term loan facility for a notional amount of HK$3.0 billion, details of which are set out in note 32 to the financial statements.

Regal REIT group, through its wholly owned subsidiary, Sonnix Limited, had a bilateral loan facility of HK$340.0 million (the "2012 WC Facility") for the iclub Wan Chai Hotel with an original expiry date in February 2015. On 22nd December, 2014, a new term loan facility agreement for a principal amount of up to HK$440.0 million (the "2014 WC Facility"), which is secured by the iclub Wan Chai Hotel, was entered into for a new term of 5 years to December 2019. The 2014 WC Facility was fully drawn with the proceeds being applied mainly for the repayment of the 2012 WC Facility. As at 31st December, 2014, the outstanding loan facility was HK$440.0 million.

On 10th February, 2014, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged for another bilateral loan facility of up to HK$790.0 million, comprised of a term loan facility of HK$632.0 million and a revolving facility of HK$158.0 million, and secured by the iclub Sheung Wan Hotel (the "2014 SW Facilities"). The 2014 SW Facilities have a term of five years to February 2019 and have no interest rate hedging in place. As at 31st December, 2014, the utilised 2014 SW Facilities were comprised of the full term loan amount of HK$632.0 million and an amount of HK$43.0 million outstanding under the revolving facility.

On 28th July, 2014, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged for 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 facility of HK$165.0 million, and secured by the iclub Fortress Hill Hotel (the "2014 FH Facilities"). The 2014 FH Facilities have a term of 5 years to July 2019 and have no interest rate hedging in place. As at 31st December, 2014, the utilised 2014 FH Facilities were comprised only of the full term loan amount of HK$660.0 million.

The loan facilities of Regal REIT group bear interest at the Hong Kong Interbank Offered Rate ("HIBOR") plus an interest margin ranging from 1.4% to 2.6% per annum (2013 - ranging from 1.62% to 2.6% per annum).

Bank borrowings under the 2013 IH Facilities, the 2014 WC Facility, the 2014 SW Facilities and the 2014 FH Facilities are guaranteed by Regal REIT and 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, among 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 the 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.

The Group's other bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 40 to the financial statements. They bear interest at HIBOR plus 0.9% to 2.69% per annum (2013 - HIBOR plus 0.9% to 2.69% per annum) except for banks loans of HK$230.0 million (2013 - HK$170.8 million), in aggregate, which bear interest at the bank's cost of fund plus 0.75% per annum (2013 - bank's cost of fund plus 0.75% per annum).

At 31st December, 2014, all interest bearing bank borrowings are denominated in Hong Kong dollars except for bank loans of HK$209.5 million (2013 - HK$183.0 million), in aggregate, which are denominated in United States dollars and a bank loan of HK$20.5 million (2013 - Nil) which is denominated in Euro.

## 31. OTHER BORROWINGS

| | GROUP | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| **Non-current** | | |
| Unsecured other borrowings repayable in the third to fifth years, inclusive | **4,211.2** | 4,200.5 |

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

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

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

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

## 32. DERIVATIVE FINANCIAL INSTRUMENTS

| | ASSETS | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| Foreign currency option contracts classified as current | **–** | 22.0 |

| | LIABILITIES | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| Interest rate swaps – cash flow hedges | **2.1** | 4.1 |
| Foreign currency option and forward contracts | **2.7** | – |
| | **4.8** | 4.1 |
| Portion classified as non-current | | |
| Interest rate swaps – cash flow hedges | **–** | (4.1) |
| Current portion | **4.8** | – |

The Regal REIT group uses interest rate swaps to minimise its exposure to movements in interest rates in relation to a certain portion of its floating rate term loans. As at 31st December, 2014, the interest rate swaps had an aggregate amount of HK$3.0 billion (2013 - HK$3.0 billion) (note 30). The interest rate swaps mature on 9th March, 2015 and the fixed swap interest rates ranged from 0.355% to 0.483% per annum (2013 - 0.355% to 0.483% per annum) as at 31st December, 2014.

The interest rate swaps are measured at fair value at the end of the reporting period and are determined based on discounted cash flow models.

In addition, the Group has entered into foreign currency option and forward contracts which are not designated for hedge purposes and are measured at fair value through profit or loss. A fair value loss on non-hedging foreign currency option and forward contracts of HK$2.7 million was charged to the statement of profit or loss during the year (2013 - fair value gain of HK$17.8 million).

## 33. DEFERRED TAX LIABILITIES

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

| | Depreciation allowances in excess of related depreciation HK$'million | Losses available for offsetting against future taxable profits HK$'million | Fair value adjustments arising from acquisition of a business/ subsidiaries HK$'million | Total HK$'million |
|---|---|---|---|---|
| Gross deferred tax assets/(liabilities) at 1st January, 2013 | (1,072.4) | 6.9 | (1,221.3) | (2,286.8) |
| Acquisition of a listed subsidiary (note 36(b)) | – | – | (404.1) | (404.1) |
| Disposal of subsidiaries (note 38(b)) | – | – | 334.9 | 334.9 |
| Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10) | 25.2 | (0.8) | 9.2 | 33.6 |
| Gross deferred tax assets/(liabilities) at 31st December, 2013 and at 31st January, 2014 | (1,047.2) | 6.1 | (1,281.3) | (2,322.4) |
| Acquisition of a business (note 36(a)) | – | – | (15.1) | (15.1) |
| Exchange difference | – | – | 0.6 | 0.6 |
| Deferred tax credited to the statement of profit or loss during the year (note 10) | 17.2 | 66.0 | 19.9 | 103.1 |
| Gross deferred tax assets/(liabilities) at 31st December, 2014 | (1,030.0) | 72.1 | (1,275.9) | (2,233.8) |

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

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Net deferred tax assets recognised in the consolidated statement of financial position | **62.4** | – |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | **(2,296.2)** | (2,322.4) |
| | **(2,233.8)** | (2,322.4) |

The Group has unrecognised tax losses arising in Hong Kong and the United States of America amounting to HK$3,845.2 million (2013 - HK$4,252.0 million) and HK$204.6 million (2013 - HK$204.5 million), respectively, as at 31st December, 2014. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, whilst those arising in the United States of America are available for a maximum period of twenty years. Deferred tax assets in respect of the above tax losses amounting to HK$706.1 million (2013 - HK$773.2 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, 2014, 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$18.7 million at 31st December, 2014 (2013 - HK$21.7 million).

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

## 34. SHARE CAPITAL AND SHARE PREMIUM

| | COMPANY | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| **Shares** | | |
| Authorised: | | |
| 2,000.0 million (2013 - 2,000.0 million) ordinary shares of HK$0.10 each | **200.0** | 200.0 |
| 4,750.0 million (2013 - 4,750.0 million) non-voting convertible preference shares of HK$0.10 each | **475.0** | 475.0 |
| | **675.0** | 675.0 |
| Issued and fully paid: | | |
| 1,114.6 million (2013 - 1,115.0 million) ordinary shares of HK$0.10 each | **111.4** | 111.5 |
| **Share premium** | | |
| Ordinary shares | **1,356.1** | 1,357.2 |

A summary of the movements in the Company's share capital and share premium account during the years ended 31st December, 2014 and 2013 is as follows:

| | | Authorised | | Issued and fully paid | | Share premium account |
|---|---|---|---|---|---|---|
| | Note | Number of shares 'million | Amount HK$'million | Number of shares 'million | Amount HK$'million | Amount HK$'million |
| **Ordinary shares** | | | | | | |
| At 1st January, 2013, 31st December, 2013 and 1st January, 2014 | | 2,000.0 | 200.0 | 1,115.0 | 111.5 | 1,357.2 |
| Repurchase and cancellation of ordinary shares | (i) | – | – | (0.4) | (0.1) | (1.1) |
| At 31st December, 2014 | | 2,000.0 | 200.0 | 1,114.6 | 111.4 | 1,356.1 |
| **Non-voting convertible preference shares of HK$0.10 each** | | | | | | |
| At 1st January, 2013, 31st December, 2013, 1st January, 2014 and 31st December, 2014 | | 4,750.0 | 475.0 | – | – | – |
| **Total share capital** | | | | | | |
| At 31st December, 2014 | | | **675.0** | | **111.4** | **1,356.1** |
| At 31st December, 2013 | | | 675.0 | | 111.5 | 1,357.2 |

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 repurchases of the ordinary shares of HK$1.1 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 Highest (HK$) | Price per ordinary share Lowest (HK$) | Aggregate purchase price (HK$) |
|---|---|---|---|---|
| June 2014 | 326,000 | 2.660 | 2.610 | 855,360 |
| July 2014 | 114,000 | 2.660 | 2.660 | 303,240 |
| Total | 440,000 | | | 1,158,600 |
| | | Total expenses on shares repurchased | | 3,495 |
| | | | Total | 1,162,095 |

## Share options

### The Paliburg Holdings Limited Share Option Scheme

The Company operates a share option scheme named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme"). The Paliburg Share Option Scheme was adopted by the Company's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Paliburg Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

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

| | | |
|---|---|---|
| (i) | Purpose: | To provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons |
| (ii) | Participants: | Eligible person means any person who is either (i) an eligible employee; (ii) a Non-Executive Director (including any Independent Non-Executive Directors); (iii) a direct or indirect shareholder of any member of the Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or (vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants, as notified by the Board that he is an eligible person |
| (iii) | Total number of ordinary shares subject to outstanding options under the Paliburg Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2014 and at the date of this report: | Nil |
| (iv) | Maximum entitlement of each participant under the Paliburg Share Option Scheme: | Not exceeding 1% of the offer ordinary shares of the Company in issue as of the offer date in any 12 month period |
| (v) | The period within which the shares must be taken up under an option: | From the time when the options become vested to no later than ten years after the offer date |

| | | |
|---|---|---|
| (vi) | Minimum period for which an option must be held before it can be exercised: | No minimum period unless otherwise determined by the Board at the time of the approval of the grant |
| (vii) | Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid: | N/A |
| (viii) | The basis of determining the exercise price: | Determined by the Board (subject to any necessary consent or approval being obtained) and shall not be less than the higher of (i) the closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary shares of the Company |
| (ix) | The life of the Paliburg Share Option Scheme: | The life of the Paliburg Share Option Scheme commenced from 16th June, 2005, date of adoption, and ending on 15th June, 2015. |

**The Regal Hotels International Holdings Limited Share Option Scheme**

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

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

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

| | | |
|---|---|---|
| (i) | Purpose: | To provide RHIHL with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons |
| (ii) | Participants: | Eligible person means any person who is either (i) an eligible employee; (ii) a Non-Executive Director (including any Independent Non-Executive Directors); (iii) a direct or indirect shareholder of any member of the RHIHL Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the RHIHL Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the RHIHL Group; (vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or (vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants, as notified by the Board that he is an eligible person |
| (iii) | Total number of ordinary shares subject to outstanding options under the Regal Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2014 and at the date of this report: | Nil |
| (iv) | Maximum entitlement of each participant under the Regal Share Option Scheme: | Not exceeding 1% of the offer ordinary shares of RHIHL in issue as of the offer date in any 12 month period |
| (v) | The period within which the shares must be taken up under an option: | From the time when the options become vested to no later than ten years after the offer date |

| | | |
|---|---|---|
| (vi) | Minimum period for which an option must be held before it can be exercised: | No minimum period unless otherwise determined by the Board at the time of the approval of the grant |
| (vii) | Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid: | N/A |
| (viii) | The basis of determining the exercise price: | Determined by the board of RHIHL (subject to any necessary consent or approval being obtained) and shall not be less than the higher of (i) the closing price of the ordinary shares of RHIHL on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the ordinary shares of RHIHL on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary shares of RHIHL |
| (ix) | The life of the Regal Share Option Scheme: | The life of the Regal Share Option Scheme commenced from 16th June, 2005, date of adoption, and ending on 15th June, 2015. |

## 35. RESERVES

(a) **Group**

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 51 and 52.

*Special reserve*

The Group's special reserve represents reserve arising from the Company's capital reorganisation in 2002.

(b) **Company**

| | Notes | Share premium account HK$'million | Contributed surplus HK$'million | Capital redemption reserve HK$'million | Retained profits HK$'million | Total HK$'million |
|---|---|---|---|---|---|---|
| At 1st January, 2013 | | 1,357.2 | 1,738.5 | 4.2 | 13.0 | 3,112.9 |
| Profit for the year | 11 | – | – | – | 495.5 | 495.5 |
| Interim 2013 dividend | 12 | – | – | – | (24.5) | (24.5) |
| Proposed final 2013 dividend | 12 | – | – | – | (103.7) | (103.7) |
| At 31st December, 2013 and 1st January, 2014 | | 1,357.2 | 1,738.5 | 4.2 | 380.3 | 3,480.2 |
| Repurchase and cancellation of ordinary shares | 34(i) | (1.1) | (0.1) | 0.1 | – | (1.1) |
| Loss for the year | 11 | – | – | – | (4.1) | (4.1) |
| Interim 2014 dividend | 12 | – | – | – | (25.6) | (25.6) |
| Proposed final 2014 dividend | 12 | – | – | – | (103.7) | (103.7) |
| At 31st December, 2014 | | 1,356.1 | 1,738.4 | 4.3 | 246.9 | 3,345.7 |

The contributed surplus represents reserves arising from (i) the group reorganisation in 1993 in preparation for a separate listing of the Company's shares, originally representing 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 subsidiaries at the date of acquisition; and (ii) the Company's capital reorganisation in 2002.

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

## 36. BUSINESS COMBINATIONS

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

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

| | **Fair value recognised on acquisition HK$'million** |
|---|---|
| Property, plant and equipment (note 14) | 123.1 |
| Inventories | 0.6 |
| Debtors, deposits and prepayments | 2.3 |
| Cash and bank balances | 0.1 |
| Creditors and accruals | (7.0) |
| Deferred tax liabilities (note 33) | (15.1) |
| Total identifiable net assets at fair value | 104.0 |
| Gain on bargain purchase recognised in the consolidated statement of profit or loss | (35.0) |
| Satisfied by cash | 69.0 |

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

The Group incurred transaction costs of HK$12.4 million for this acquisition, which have been expensed and included in administrative expenses in the consolidated statement of profit or loss.

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

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

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

It is impracticable to disclose the information as if the combination had taken place at the beginning of the year since the Group has no full access to the accounting books and records of the Spain Business for the period prior to the date of acquisition.

(b) On 16th September, 2013, certain subsidiaries of the Group served notices of conversion in respect of all of their respective Cosmopolitan convertible bonds on the relevant issuers of the Cosmopolitan convertible bonds, and 10,202,916,664 ordinary shares of Cosmopolitan had been allotted and issued to the relevant holders of the Cosmopolitan convertible bonds and, as a result, the aggregate proportionate shareholdings in Cosmopolitan held by the Group increased from 39.386% to 67.512%. Accordingly, Cosmopolitan and its subsidiaries became subsidiaries of the Company on that date. As Faith Crown was a 50:50 owned joint venture between RHIHL and Cosmopolitan, Faith Crown also became a subsidiary of the Company upon Cosmopolitan becoming a subsidiary of the Company on 16th September, 2013. As a result of the business combinations, goodwill of HK$261.0 million was recorded in the Group's consolidated statement of financial position in the prior year.

The Group had elected to measure the non-controlling interests in the Cosmopolitan Group at the non-controlling interests' proportionate share of the identifiable net assets of the Cosmopolitan Group.

The aggregate fair values of the identifiable assets and liabilities of the Cosmopolitan Group and Faith Crown as at the date of the acquisitions were as follows:

| | Fair value recognised on acquisitions HK$'million |
|---|---|
| Property, plant and equipment (note 14) | 2.7 |
| Properties under development (note 16) | 3,560.8 |
| Debtors, deposits and prepayments | 93.4 |
| Financial assets at fair value through profit or loss | 112.3 |
| Held-to-maturity investments | 55.5 |
| Tax recoverable | 2.2 |
| Pledged time deposits and bank balances | 1.5 |
| Time deposits | 154.5 |
| Cash and bank balances | 270.6 |
| Creditors and accruals | (75.5) |
| Interest bearing bank borrowings | (12.2) |
| Tax payable | (41.9) |
| Deferred tax liabilities (note 33) | (404.1) |
| Non-controlling interests | (374.4) |
| | 3,345.4 |
| Goodwill (note 23) | 261.0 |
| | 3,606.4 |
| Satisfied by: | |
| Investment in a joint venture | 575.4 |
| Financial assets at fair value through profit or loss | 1,039.1 |
| Debtors | 1,991.9 |
| | 3,606.4 |

The gross contractual amount and fair value of the other debtors as at the date of acquisitions amounted to HK$0.7 million.

An analysis of the cash flows in respect of the acquisitions is as follows:

| | HK$'million |
|---|---|
| Time deposits acquired | 154.5 |
| Cash and bank balances acquired | 270.6 |
| Inflow of cash and cash equivalents included in cash flows from investing activities | 425.1 |

Since the acquisitions, the Cosmopolitan Group and Faith Crown contributed HK$9.1 million to the Group's revenue and a loss of HK$21.6 million to the consolidated profit before allocation between equity holders of the parent and non-controlling interests for the year ended 31st December, 2013.

Had the combinations taken place on 1st April, 2013, the revenue of the Group and the consolidated profit before allocation between equity holders of the parent and non-controlling interests of the Group for the year ended 31st December, 2013 would have been HK$3,607.5 million and HK$380.8 million, respectively. It was impracticable to provide the information as if the combinations had taken place at the beginning of the prior year since the Cosmopolitan Group has changed its financial year end date from 31st March to 31st December pursuant to a resolution of its board of directors passed on 21st January, 2014. As the financial year preceding the prior year was twelve months ended 31st March, 2013 while the prior financial period was nine months ended 31st December, 2013, there was no separate readily available information for the twelve months ended 31st December, 2013 for the Cosmopolitan Group.

## 37. INVESTMENTS IN SUBSIDIARIES

| | COMPANY | |
|---|---|---|
| | **2014**<br>**HK$'million** | **2013**<br>**HK$'million** |
| Unlisted shares, at cost | **209.0** | 209.0 |
| Amount due from a subsidiary | **3,353.6** | 3,488.4 |
| | **3,562.6** | 3,697.4 |

The amount due from a subsidiary is unsecured, interest-free and not repayable within one year. In the opinion of the Directors, this amount is considered as part of the Company's investment in the subsidiary.

Details of the 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 2014 | 2013 | Principal activities |
|---|---|---|---|---|---|
| 303 Technology Limited | Hong Kong | HK$2 | 100 | 100 | Security systems and software design, development and distribution |
| Bajan Company Limited | Hong Kong | HK$2 | 100 | 100 | Securities investment |
| Chatwin Engineering Limited | Hong Kong | HK$16,800,000 | 100 | 100 | Building construction |
| Cheer Faith Limited | Hong Kong | HK$2 | 100 | 100 | Financing |
| Cosmos Best Development Limited | Hong Kong | HK$2 | 100 | 100 | Management services |
| Cosmos Gain Investment Limited | Hong Kong | HK$2 | 100 | 100 | Property development and investment |
| Everlane Investment Limited | Hong Kong | HK$2 | 100 | 100 | Property development and investment |
| Farich Investment Limited | Hong Kong | HK$2 | 100 | 100 | Investment holding |
| Finso Limited | Hong Kong | HK$2 | 100 | 100 | Investment holding |
| Gain World Investments Limited | British Virgin Islands | US$1 | 100 | 100 | Investment holding |
| Glaser Holdings Limited | British Virgin Islands | US$1 | 100 | 100 | Investment holding |
| Glorymark Investments Limited | British Virgin Islands | US$1 | 100 | 100 | Investment holding |
| Grand Equity Limited | British Virgin Islands | US$1 | 100 | 100 | Investment holding |

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company 2014 | 2013 | Principal activities |
|---|---|---|---|---|---|
| Guo Yui Investments Limited | British Virgin Islands | US$1 | 100 | 100 | Investment holding |
| H.P. Nominees Limited | Hong Kong | HK$2 | 100 | 100 | Investment holding, securities investment and nominee services |
| Hang Fok Properties Limited | British Virgin Islands | US$100 | 82.2 | 79.1 | Investment holding |
| Hilmark Investments Limited | British Virgin Islands | US$1 | 100 | 100 | Investment holding |
| Leading Lighting Technology Limited | Hong Kong | HK$1 | 100 | 100 | Lighting technology services |
| Leading Technology Holdings Limited | British Virgin Islands | US$100 | 100 | 100 | Investment holding |
| Linkprofit Limited | Hong Kong | HK$1,000 | 100 | 100 | Investment holding |
| Paliburg BVI Holdings Limited | British Virgin Islands | HK$10 | 100 | 100 | Investment holding |
| Paliburg Building Services Limited | Hong Kong | HK$2 | 100 | 100 | Mechanical and electrical engineering services |
| Paliburg Development BVI Holdings Limited | British Virgin Islands | US$1 | 100 | 100 | Investment holding |
| Paliburg Development Consultants Limited | Hong Kong | HK$100,000 | 100 | 100 | Development consultancy |
| Paliburg Development Finance Limited | Hong Kong | HK$2 | 100 | 100 | Financing and securities investment |

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company 2014 | 2013 | Principal activities |
|---|---|---|---|---|---|
| Paliburg Estate Agents Limited | Hong Kong | HK$20 | 100 | 100 | Estate agent |
| Paliburg Estate Management Limited | Hong Kong | HK$20 | 100 | 100 | Estate management |
| Paliburg Finance Limited | Hong Kong | HK$2 | 100 | 100 | Financing |
| Paliburg Investments Limited | Hong Kong | HK$526,506,860 | 100 | 100 | Investment holding |
| Paliburg Property Development (Shanghai) Co., Ltd.[(i)] | PRC/ Mainland China | US$10,000,000 | 100 | 100 | Property development and investment |
| Rich Pearl Limited | Hong Kong | HK$10,000 | 100 | 100 | Financing |
| Sanefix Development Limited | Hong Kong | HK$2 | 100 | 100 | Property investment |
| Shenzhen Leading Technology Co., Ltd.[(i)] | PRC/ Mainland China | RMB20,000,000 | 100 | 100 | Security systems and software design, development and distribution |
| Taylor Investments Ltd. | British Virgin Islands | US$1 | 100 | 100 | Investment holding |
| Transcar Investments Limited | British Virgin Islands | US$1 | 100 | 100 | Investment holding |
| Wiggans Investments Limited | British Virgin Islands | US$1 | 100 | 100 | Securities investment |
| Winrise Investment Limited | Hong Kong | HK$2 | 100 | 100 | Securities investment |
| Yield Star Limited | British Virgin Islands | US$1 | 100 | 100 | Investment holding |
| Yieldtop Holdings Limited | British Virgin Islands | US$100 | 81.8 | 79.1 | Investment holding |

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company 2014 | 2013 | Principal activities |
|---|---|---|---|---|---|
| 昆明中美二戰友誼公園文化傳播有限公司[ii] | PRC/ Mainland China | RMB5,000,000 | 87 | 87 | Project management |
| Advance Fame Investments Limited | Hong Kong | HK$1 | 82.2 | 79.1 | Property development |
| Eminent Gold Investments Limited | Hong Kong | HK$1 | 82.2 | 79.1 | Property development |
| Fine Cosmos Development Limited | Hong Kong | HK$2 | 82.2 | 79.1 | Property development |
| Fountain Sky Limited[v] | Hong Kong | HK$2 | 82.2 | 79.1 | Securities investment |
| Great Select Holdings Limited[v] | British Virgin Islands | US$1 | 82.2 | 79.1 | Securities investment |
| Interzone Investments Limited | British Virgin Islands | US$1 | 82.2 | – | Securities investment |
| Jumbo Pearl Investments Limited[v] | British Virgin Islands | US$1 | 82.2 | 79.1 | Securities investment |
| Land Crown International Limited | Hong Kong | HK$1 | 82.2 | 79.1 | Property development |
| Lead Fortune Development Limited | Hong Kong | HK$2 | 82.2 | 79.1 | Property development and investment |
| Lendas Investments Limited[v] | British Virgin Islands | US$1 | 82.2 | 79.1 | Securities investment |
| P&R Finance Limited | Hong Kong | HK$1 | 82.2 | 79.1 | Financing |
| P&R Holdings Limited ("P&R Holdings") | British Virgin Islands | US$100 | 82.2 | 79.1 | Investment holding |
| P&R Strategic Limited | British Virgin Islands | US$1 | 82.2 | 79.1 | Investment holding |

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company 2014 | 2013 | Principal activities |
|---|---|---|---|---|---|
| Prosper Harvest Investments Limited(v) | British Virgin Islands | US$1 | 82.2 | 79.1 | Investment holding |
| Real Charm Investment Limited | Hong Kong | HK$2 | 82.2 | 79.1 | Property development and investment |
| Star Yield Investments Limited | Hong Kong | HK$1 | 82.2 | 79.1 | Property development |
| Sun Joyous Investments Limited(v) | British Virgin Islands | US$1 | 82.2 | 79.1 | Securities investment |
| Time Crest Investments Limited(v) | British Virgin Islands | US$1 | 82.2 | 79.1 | Securities investment |
| Valuegood International Limited(v) | British Virgin Islands | US$1 | 82.2 | 79.1 | Securities investment |
| Well Mount Investments Limited(v) | British Virgin Islands | US$1 | 82.2 | 79.1 | Securities investment |
| Winart Investments Limited(v) | British Virgin Islands | US$1 | 82.2 | 79.1 | Securities investment |
| 富豪（重慶）股權投資基金合夥企業（有限合夥）(iii) | PRC/ Mainland China | RMB250,000,000 | 82.2 | 79.1 | Investment holding and management consultancy |
| 成都富譽實業有限公司(iv) | PRC/ Mainland China | RMB250,000,000 | 82.2 | 79.1 | Investment holding |
| Cosmopolitan International Holdings Limited(vii) | Cayman Islands/ Hong Kong | Ordinary - HK$8,500,912 | 52.8 | 53.4 | Investment holding |
| | | Preference - HK$4,691,917 | 70.2 | – | |
| Apex Team Limited(viii) | Hong Kong | HK$1 | 59.0 | 53.4 | Financing |
| Cosmopolitan International Finance Limited(viii) | Hong Kong | HK$1 | 59.0 | 53.4 | Financing and financial assets investment |

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company 2014 | 2013 | Principal activities |
|---|---|---|---|---|---|
| Cosmopolitan International Management Services Limited(viii) | Hong Kong | HK$1 | 59.0 | 53.4 | Management services |
| Evercharm Investments Limited(viii) | British Virgin Islands | US$1 | 59.0 | 53.4 | Financial assets investment |
| Fancy Gold Limited(viii) | Hong Kong | HK$1 | 59.0 | 53.4 | Financing |
| 新疆麗寶生態開發有限公司(i), (viii) | PRC/ Mainland China | US$16,800,000 | 59.0 | 53.4 | Property development |
| 成都富博房地產開發有限公司(i), (vi), (viii) | PRC/ Mainland China | HK$175,000,000 | 59.0 | 53.4 | Property development |
| 天津市富都房地產開發有限公司(i), (vi), (viii) | PRC/ Mainland China | RMB1,200,000,000 | 59.0 | 53.4 | Property development |
| 置富投資開發(成都)有限公司(i), (vi), (viii) | PRC/ Mainland China | HK$336,000,960 | 59.0 | 53.4 | Property development |
| 北京富利企業管理有限公司(i) | PRC/ Mainland China | RMB298,000,000 | 59.0 | – | Investment holding |
| 富宏(深圳)諮詢管理有限公司(i), (x) | PRC/ Mainland China | RMB10,000,000 | 59.0 | 100 | Development consultancy |
| Regal Hotels International Holdings Limited | Bermuda/ Hong Kong | Ordinary - HK$92,405,233 | 64.4 | 58.2 | Investment holding |
| 8D Travel (Shanghai) Ltd(i) | PRC/ Mainland China | US$375,000 | 64.4 | 58.2 | Travel agency |
| Aim Success Investments Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| Alpha Season Investments Limited | British Virgin Islands | US$1 | 64.4 | – | Investment holding |
| Best Time Enterprises Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Leasing of offices |
| Big Result Investments Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| Camomile Investments Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Property investment |

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company 2014 | 2013 | Principal activities |
|---|---|---|---|---|---|
| Chest Gain Development Limited | Hong Kong | HK$10,000 | 64.4 | 58.2 | Property development and investment, and investment holding |
| Come On Investment Company Limited | Hong Kong | HK$10,000 | 64.4 | 58.2 | Securities trading and investment |
| Complete Success Investments Limited | British Virgin Islands | US$1 | 64.4 | 58.2 | Investment holding |
| Cranfield Investments Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Financing |
| Favour Link International Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Hotel operations |
| Favourite Stock Limited | British Virgin Islands | US$1 | 64.4 | 58.2 | Securities investment |
| Flexi Sky Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| Fortune Build Investments Limited | British Virgin Islands | US$1 | 64.4 | – | Investment holding |
| Fortune Nice Investment Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Financing |
| Fortune Trove Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| Gaud Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Securities trading and investment |
| Gestiones E Inversiones Cosmoland, S.L. | Spain | EUR3,000 | 64.4 | – | Hotel operations |
| Golden Vessel Investments Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| Grand Pyramid Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company 2014 | 2013 | Principal activities |
|---|---|---|---|---|---|
| Great Prestige Investments Limited | British Virgin Islands | US$1 | 64.4 | 58.2 | Investment holding |
| Greatlead Investments Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| Harvest Charm Investment Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Financing |
| Harvest Crown International Invest Limited | British Virgin Islands | US$1 | 64.4 | 58.2 | Property investment |
| Honormate Nominees Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Securities investment and nominee services |
| Honrich Investment Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Financing |
| Kaybro Investments Limited | British Virgin Islands | US$1 | 64.4 | 58.2 | Investment holding |
| Loraine Developments, S.L. | Spain | EUR3,000 | 64.4 | – | Hotel ownership |
| Maximum Good Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| Million Sharp International Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| New Surplus Investments Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| PBL0781 Limited | Gibraltar | GBP2,000 | 64.4 | 58.2 | Aircraft ownership and leasing |
| PBL1017 Limited | Gibraltar | GBP2,000 | 54.7 | 49.4 | Aircraft ownership and leasing |
| Regal Contracting Agency Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Contracting agency |

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company 2014 | 2013 | Principal activities |
|---|---|---|---|---|---|
| Regal Estate Agents Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Estate agency |
| Regal Estate Management Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Estate management |
| Regal Hotels (Holdings) Limited | Hong Kong | HK$1,151,598,638 | 64.4 | 58.2 | Investment holding and management services |
| Regal Hotels Company Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Investment holding |
| Regal Hotels International Limited | Hong Kong | HK$100,000 | 64.4 | 58.2 | Hotel management and investment holding |
| Regal Hotels Management (BVI) Limited | British Virgin Islands/ Mainland China | US$1 | 64.4 | 58.2 | Investment holding and hotel management |
| Regal International Limited | British Virgin Islands | US$20 | 64.4 | 58.2 | Investment and trademark holding |
| Regal International (BVI) Holdings Limited | British Virgin Islands | HK$10.1 | 64.4 | 58.2 | Investment holding |
| Regal Portfolio Management Limited | Hong Kong | HK$11,611,937 | 64.4 | 58.2 | Asset management |
| Regal Quality Foods Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Sale of food products |
| RH International Finance Limited | British Virgin Islands/ Hong Kong | US$1 | 64.4 | 58.2 | Financing |
| R.H.I. Licensing B.V. | The Netherlands | NLG40,000 | 64.4 | 58.2 | Trademark holding |

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company 2014 | 2013 | Principal activities |
|---|---|---|---|---|---|
| Solution Key Investments Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| Speedy Track Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| Success Path Investments Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| Tenshine Limited | Hong Kong | HK$2 | 64.4 | 58.2 | Securities trading and investment and financing |
| Unicorn Star Limited | British Virgin Islands | US$1 | 64.4 | 58.2 | Securities investment |
| Vast Charm International Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| Wealth Virtue Investments Limited | British Virgin Islands | US$1 | 64.4 | – | Investment holding |
| Wealthy Path Investments Limited | British Virgin Islands | US$1 | 64.4 | – | Investment holding |
| Will Smart Investments Limited | Hong Kong | HK$1 | 64.4 | 58.2 | Property investment |
| 廣州市富堡訂房服務有限公司[(i)] | PRC/ Mainland China | RMB100,000 | 64.4 | 58.2 | Room reservation services |
| 富豪酒店投資管理(上海)有限公司[(i)] | PRC/ Mainland China | US$140,000 | 64.4 | 58.2 | Hotel management |
| Regal Real Estate Investment Trust | Hong Kong | 3,257,431,189 units | 48.0 | 43.4 | Property investment |
| Bauhinia Hotels Limited | Hong Kong | HK$2 | 48.0 | 43.4 | Hotel ownership |
| Cityability Limited | Hong Kong | HK$10,000 | 48.0 | 43.4 | Hotel ownership |
| Gala Hotels Limited | Hong Kong | HK$2 | 48.0 | 43.4 | Hotel ownership |

| Name | Place of incorporation/ registration and business | Issued ordinary share capital/ registered capital/ issued units | Percentage of equity interest attributable to the Company 2014 | 2013 | Principal activities |
|---|---|---|---|---|---|
| Regal Asset Holdings Limited | Bermuda/ Hong Kong | US$12,000 | 48.0 | 43.4 | Investment holding |
| Regal Riverside Hotel Limited | Hong Kong | HK$2 | 48.0 | 43.4 | Hotel ownership |
| Rich Day Investments Limited | Hong Kong | HK$1 | 48.0 | 43.4 | Financing |
| Ricobem Limited | Hong Kong | HK$100,000 | 48.0 | 43.4 | Hotel ownership |
| Sonnix Limited | Hong Kong | HK$2 | 48.0 | 43.4 | Property ownership and hotel operations |
| R-REIT International Finance Limited | British Virgin Islands | US$1 | 48.0 | 43.4 | Financing |
| Tristan Limited(ix) | Hong Kong | HK$20 | 48.0 | 79.1 | Hotel ownership |
| Wise Decade Investments Limited(ix) | Hong Kong | HK$1 | 48.0 | 79.1 | 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 is a fund registered as a limited partnership under PRC partnership law.

(iv) This subsidiary is registered as a foreign owned enterprise under PRC law.

(v) These companies were subsidiaries of the Company or RHIHL and were disposed to P&R Holdings during the prior year.

(vi) These companies were subsidiaries of P&R Holdings or RHIHL and were disposed to the Cosmopolitan Group during the prior year.

(vii) Cosmopolitan became a subsidiary of P&R Holdings upon the business combination as detailed in note 36(b) to the financial statements during the prior year.

(viii) These are subsidiaries of Cosmopolitan which became subsidiaries of P&R Holdings upon the business combination as detailed in note 36(b) to the financial statements during the prior year.

(ix) These companies were subsidiaries of P&R Holdings and were disposed to Regal REIT during the year.

(x) This company was a subsidiary of the Company and was disposed to the Cosmopolitan Group during the year.

Except for Paliburg Development BVI Holdings Limited and Paliburg Property Development (Shanghai) Co., Ltd., 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.

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

| | 2014 | 2013 |
|---|---|---|
| Percentage of equity interest held by non-controlling interests of RHIHL | **35.6%** | 41.8% |

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Profit for the year allocated to non-controlling interests of the RHIHL Group | **171.8** | 132.9 |
| Dividends paid to non-controlling interests of the RHIHL Group | **182.6** | 181.3 |
| Accumulated balances of non-controlling interests of the RHIHL Group at the reporting date | **7,002.4** | 8,053.1 |

The following tables illustrate the summarised financial information of the RHIHL Group. The amounts disclosed are before any intra-group eliminations:

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Revenue | **2,298.6** | 3,570.0 |
| Profit for the year | **390.6** | 258.0 |
| Total comprehensive income for the year | **369.0** | 266.0 |
| Non-current assets | **26,656.1** | 24,124.4 |
| Current assets | **4,238.5** | 5,359.8 |
| Current liabilities | **(994.0)** | (767.5) |
| Non-current liabilities | **(12,501.7)** | (11,317.2) |
| Net cash flows from/(used in) operating activities | **767.7** | (1,647.0) |
| Net cash flows used in investing activities | **(1,302.4)** | (1,331.6) |
| Net cash flows from financing activities | **678.5** | 1,913.7 |
| Net increase/(decrease) in cash and cash equivalents | **143.8** | (1,064.9) |

## 38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalent balances

At the end of the reporting period, the cash and cash equivalent balances of the Group amounting to HK$1,108.5 million (2013 - HK$579.5 million) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

(b) Disposal of subsidiaries

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Net assets disposed of: | | |
| Property, plant and equipment (note 14) | – | 1,039.3 |
| Properties under development (note 16) | – | 828.0 |
| Debtors, deposits and prepayments | – | 2.0 |
| Cash and bank balances | – | 23.9 |
| Due to a joint venture | – | (74.0) |
| Creditors and accruals | – | (60.3) |
| Deferred tax liabilities (note 33) | – | (334.9) |
| Non-controlling interests | – | (151.7) |
| | – | 1,272.3 |
| Gain on disposal of subsidiaries | – | 279.2 |
| Release of exchange equalisation reserve | – | (13.7) |
| | – | 1,537.8 |
| Satisfied by: | | |
| Debtor | – | 889.7 |
| Amount due to a former joint venture | – | 648.1 |
| | – | 1,537.8 |

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

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the disposal of subsidiaries | – | 23.9 |

(c) Major non-cash transaction

During the prior year, the Group acquired certain investment properties from the Cosmopolitan Group at a consideration of HK$88.0 million, which was settled by way of set off against the Group's receivable from the Cosmopolitan Group in respect of the disposal of properties under development in Tianjin City, the PRC.

## 39. 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 | 2014 HK$'million | 2013 HK$'million |
|---|---|---|---|
| A wholly owned subsidiary of CCIHL: | | | |
| Management fees | (i) | **53.1** | 37.0 |
| An associate: | | | |
| Advertising and promotion fees (including cost reimbursements) | (ii) | **13.6** | 10.0 |

Notes:

(i) The management fees included rentals and other overheads allocated from a wholly owned subsidiary of CCIHL either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, RHIHL, Cosmopolitan and the Company based on the distribution of job responsibilities and the estimated time spent by the relevant staff in serving each of the four groups. In the prior year, similar allocation of management costs was applied to CCIHL group, RHIHL Group and the Group as Cosmopolitan only became a subsidiary of CCIHL on 16th September, 2013.

(ii) The advertising and promotion fees paid to an associate comprised a retainer 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.

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 | 2014 HK$'million | 2013 HK$'million |
|---|---|---|---|
| Due from associates | (i) | **45.6** | 28.9 |
| Due from a fellow subsidiary | (ii) | **0.9** | 0.9 |
| Due from a related company | (ii) | **1.3** | 1.3 |
| Due to fellow subsidiaries | (iii) | **(6.7)** | (5.8) |
| Due to an associate | (iii) | **(1.6)** | (3.0) |

Notes:

(i) The balance is included in investments in associates in note 17 to the financial statements.

(ii) The amounts are included in debtors, deposits and prepayments in note 26 to the financial statements.

(iii) The amounts are included in creditors and accruals in note 28 to the financial statements.

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

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Short term employee benefits | **47.0** | 34.5 |
| Staff retirement scheme contributions | **2.5** | 2.2 |
| Total compensation paid to key management personnel | **49.5** | 36.7 |

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

The related party transaction set out in note 39(a)(i) above also constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company, but is exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval in accordance with the Listing Rules ("Relevant Requirements") pursuant to rule 14A.33(2)/14A.98 of the Listing Rules.

The related party transaction set out in note 39(a)(ii) above also constituted a continuing connected transaction to the Company, but is exempted from the Relevant Requirements pursuant to rule 14A.33(3)(a)/14A.76(1)(a) of the Listing Rules.

## 40. PLEDGE OF ASSETS

As at 31st December, 2014, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, bank deposits and bank balances in the total amount of HK$17,861.1 million (2013 - HK$14,529.3 million) were pledged to secure general banking facilities granted to the Group and, in addition, certain of the Group's bank deposits, bank balances, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK$454.6 million (2013 - HK$428.5 million) were pledged to secure bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2014, certain ordinary shares in a listed subsidiary with a market value of HK$445.0 million (2013 - HK$460.0 million) were also pledged to secure general banking facilities granted to the Group.

## 41. CONTINGENT LIABILITIES

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** | **2014 HK$'million** | **2013 HK$'million** |
| Corporate guarantees provided in respect of banking facilities granted to subsidiaries | **–** | – | **2,463.0** | 1,324.0 |

As at 31st December, 2014, the banking facilities granted to subsidiaries subject to guarantees given by the Company were utilised to the extent of HK$1,200.2 million (2013 - HK$907.0 million).

## 42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain retail space and areas of its hotel properties and aircraft under operating lease arrangements, with leases negotiated for terms ranging from 1 to 6 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

The Group also leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of 1 to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 31st December, 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | GROUP | |
|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** |
| Within one year | **88.0** | 79.1 |
| In the second to fifth years, inclusive | **141.5** | 175.1 |
| After five years | **–** | 4.9 |
| | **229.5** | 259.1 |

(b) As lessee

The Group leases certain office and shop units and office equipment under operating lease arrangements. Leases for properties are negotiated for terms from 1 to 12 years. Lease for office equipment in respect of the Group is negotiated for terms from 1 to 5 years.

At 31st December, 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | GROUP | |
|---|---|---|
| | **2014** **HK$'million** | **2013** **HK$'million** |
| Land and buildings: | | |
| Within one year | **12.7** | 16.0 |
| In the second to fifth years, inclusive | **5.5** | 36.6 |
| After five years | **0.5** | 23.1 |
| | **18.7** | 75.7 |
| Other equipment: | | |
| Within one year | **0.3** | 0.3 |
| In the second to fifth years, inclusive | **0.7** | 0.2 |
| | **1.0** | 0.5 |
| | **19.7** | 76.2 |

At the end of the reporting period, the Company had no outstanding operating lease commitments.

## 43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following outstanding commitments at the end of the reporting period:

| | GROUP | |
|---|---|---|
| | **2014** **HK$'million** | **2013** **HK$'million** |
| Authorised, but not contracted for: | | |
| Property development projects | **2,438.2** | 2,353.7 |
| Hotel buildings | **110.6** | 37.6 |
| | **2,548.8** | 2,391.3 |
| Contracted, but not provided for: | | |
| Property development projects | **2,292.9** | 1,011.7 |
| Aircraft | **253.7** | – |
| | **2,546.6** | 1,011.7 |
| | **5,095.4** | 3,403.0 |

At the end of the reporting period, the Company had no significant commitments.

## 44. 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:

**2014** **GROUP**

**Financial assets**

| | Financial assets at fair value through profit or loss | | | | | |
|---|---|---|---|---|---|---|
| | - designated as such upon initial recognition HK$'million | - held for trading HK$'million | Available-for-sale investments HK$'million | Loans and receivables HK$'million | Held-to-maturity investments HK$'million | Total HK$'million |
| Available-for-sale investments (note 18) | – | – | 131.8 | – | – | 131.8 |
| Financial assets at fair value through profit or loss (note 19) | 1.9 | 864.3 | – | – | – | 866.2 |
| Held-to-maturity investments (note 20) | – | – | – | – | 378.1 | 378.1 |
| Loans receivable (note 21) | – | – | – | 15.0 | – | 15.0 |
| Trade debtors (note 26) | – | – | – | 125.6 | – | 125.6 |
| Other financial assets included in debtors, deposits and prepayments | – | – | – | 416.6 | – | 416.6 |
| Restricted cash | – | – | – | 47.2 | – | 47.2 |
| Pledged time deposits and bank balances | – | – | – | 333.8 | – | 333.8 |
| Time deposits | – | – | – | 761.5 | – | 761.5 |
| Cash and bank balances | – | – | – | 2,190.0 | – | 2,190.0 |
| | 1.9 | 864.3 | 131.8 | 3,889.7 | 378.1 | 5,265.8 |

**Financial liabilities**

| | Financial liabilities at fair value through profit or loss | | | |
|---|---|---|---|---|
| | - held for trading HK$'million | - designated as hedging instruments HK$'million | Financial liabilities at amortised cost HK$'million | Total HK$'million |
| Trade creditors (note 28) | – | – | 136.2 | 136.2 |
| Other financial liabilities included in creditors and accruals | – | – | 399.1 | 399.1 |
| Deposits received | – | – | 34.9 | 34.9 |
| Derivative financial instruments (note 32) | 2.7 | 2.1 | – | 4.8 |
| Interest bearing bank borrowings (note 30) | – | – | 9,146.7 | 9,146.7 |
| Other borrowings (note 31) | – | – | 4,211.2 | 4,211.2 |
| | 2.7 | 2.1 | 13,928.1 | 13,932.9 |

**2013** **GROUP**

**Financial assets**

| | Financial assets at fair value through profit or loss - designated as such upon initial recognition HK$'million | Financial assets at fair value through profit or loss - held for trading HK$'million | Available-for-sale investments HK$'million | Loans and receivables HK$'million | Held-to-maturity investments HK$'million | Total HK$'million |
|---|---|---|---|---|---|---|
| Available-for-sale investments (note 18) | – | – | 18.3 | – | – | 18.3 |
| Financial assets at fair value through profit or loss (note 19) | 11.7 | 752.9 | – | – | – | 764.6 |
| Held-to-maturity investments (note 20) | – | – | – | – | 229.3 | 229.3 |
| Derivative financial instruments (note 32) | – | 22.0 | – | – | – | 22.0 |
| Loans receivable (note 21) | – | – | – | 15.1 | – | 15.1 |
| Trade debtors (note 26) | – | – | – | 130.2 | – | 130.2 |
| Other financial assets included in debtors, deposits and prepayments | – | – | – | 275.5 | – | 275.5 |
| Restricted cash | – | – | – | 51.9 | – | 51.9 |
| Pledged time deposits and bank balances | – | – | – | 433.2 | – | 433.2 |
| Time deposits | – | – | – | 1,143.9 | – | 1,143.9 |
| Cash and bank balances | – | – | – | 1,241.4 | – | 1,241.4 |
| | 11.7 | 774.9 | 18.3 | 3,291.2 | 229.3 | 4,325.4 |

**Financial liabilities**

| | Financial liabilities at fair value through profit or loss - designated as hedging instruments HK$'million | Financial liabilities at amortised cost HK$'million | Total HK$'million |
|---|---|---|---|
| Trade creditors (note 28) | – | 85.0 | 85.0 |
| Other financial liabilities included in creditors and accruals | – | 373.9 | 373.9 |
| Deposits received | – | 20.3 | 20.3 |
| Derivative financial instruments (note 32) | 4.1 | – | 4.1 |
| Interest bearing bank borrowings (note 30) | – | 7,223.8 | 7,223.8 |
| Other borrowings (note 31) | – | 4,200.5 | 4,200.5 |
| | 4.1 | 11,903.5 | 11,907.6 |

**COMPANY**

| **Financial liabilities** | 2014 Financial liabilities at amortised cost HK$'million | 2013 Financial liabilities at amortised cost HK$'million |
|---|---|---|
| Creditors and accruals | **2.4** | 2.6 |

## 45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

**Fair value hierarchy**

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

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

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'million | Significant observable inputs (Level 2) HK$'million | Significant unobservable inputs (Level 3) HK$'million | Total HK$'million |
| Available-for-sale investments: | | | | |
| Unlisted equity investments | – | – | 131.8 | 131.8 |
| Financial assets at fair value through profit or loss: | | | | |
| Listed equity investments | 593.4 | 17.0 | – | 610.4 |
| Listed debt investments | – | 253.9 | – | 253.9 |
| Structured deposit | – | 1.9 | – | 1.9 |
| | 593.4 | 272.8 | 131.8 | 998.0 |

*Assets measured at fair value as at 31st December, 2013*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'million | Significant observable inputs (Level 2) HK$'million | Significant unobservable inputs (Level 3) HK$'million | Total HK$'million |
| Available-for-sale investments: | | | | |
| Unlisted equity investments | – | – | 18.3 | 18.3 |
| Financial assets at fair value through profit or loss: | | | | |
| Listed equity investments | 631.1 | – | – | 631.1 |
| Listed debt investments | – | 121.8 | – | 121.8 |
| Structured deposits | – | 11.7 | – | 11.7 |
| Derivative financial instruments | – | 22.0 | – | 22.0 |
| | 631.1 | 155.5 | 18.3 | 804.9 |

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

| | 2014 HK$'million | 2013 HK$'million |
|---|---|---|
| Available-for-sale investments – unlisted: | | |
| At 1st January | **18.3** | 9.5 |
| Purchases | **85.3** | – |
| Total gain recognised in other comprehensive income | **28.2** | 8.8 |
| At 31st December | **131.8** | 18.3 |

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

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'million | Significant observable inputs (Level 2) HK$'million | Significant unobservable inputs (Level 3) HK$'million | Total HK$'million |
| Derivative financial instruments | **–** | **4.8** | **–** | **4.8** |

*Liabilities measured at fair value as at 31st December, 2013*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'million | Significant observable inputs (Level 2) HK$'million | Significant unobservable inputs (Level 3) HK$'million | Total HK$'million |
| Derivative financial instruments | – | 4.1 | – | 4.1 |

The Company did not have any financial assets or financial liabilities measured at fair value as at 31st December, 2014 and 2013.

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 (2013 - Nil).

### Valuation techniques

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

The unlisted equity investments are carried at the net asset values provided by financial institutions or related administrators or valued by a financial institution based on the quoted market price of the underlying listed security.

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

The fair values of listed debt investments and structured deposits are determined based on market values provided by financial institutions.

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's long term borrowings with floating interest rates. The interest rates and terms of repayment of the Group's interest bearing bank borrowings are disclosed in note 30 to the financial statements. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rate.

The Group has put in place interest rate swap arrangements to limit the variability in cash flows attributable to changes in interest rates of certain borrowings. This involves fixing portions of interest payable on its underlying borrowings through derivative instruments. Details of interest rate swaps are set out in note 32 to the financial statements. These swaps are designated to hedge underlying borrowing obligations.

For the Hong Kong dollar borrowings, assuming the amount of bank borrowings and interest rate swap contracts outstanding at the end of the reporting period was outstanding for the whole year, a 100 basis point increase in interest rates would have decreased the Group's profit before tax for the current year by HK$38.1 million (2013 - HK$25.1 million) and finance costs capitalised by HK$22.0 million (2013 - HK$16.1 million). A 10 basis point decrease in interest rates would have increased the Group's profit before tax for the current year by HK$3.8 million (2013 - HK$2.5 million) and finance costs capitalised by HK$2.2 million (2013 - HK$1.6 million).

For interest rate swap contracts, a 100 basis point increase in interest rates would have increased the Group's equity as at 31st December, 2014 by HK$3.1 million (2013 - HK$31.5 million) as a result of fair value changes on derivative financial instruments. A 10 basis point decrease in interest rates would have decreased the Group's equity at 31st December, 2014 by HK$0.3 million (2013 - HK$4.6 million).

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

### Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade debtors are widely dispersed in different sectors and industries (except for sales proceeds receivable from the disposal of properties/properties under development).

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 26 to the financial statements.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation 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 and the Company's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

**GROUP**

| | 2014 | | |
|---|---|---|---|
| | Within 1 year or on demand HK$'million | 1 to 5 years HK$'million | Total HK$'million |
| Trade creditors | 136.2 | – | 136.2 |
| Other financial liabilities included in creditors and accruals | 381.7 | 17.4 | 399.1 |
| Deposits received | 24.5 | 10.4 | 34.9 |
| Derivative financial instruments | 4.8 | – | 4.8 |
| Interest bearing bank borrowings | 1,538.1 | 8,519.3 | 10,057.4 |
| Other borrowings | 158.0 | 4,623.2 | 4,781.2 |
| | 2,243.3 | 13,170.3 | 15,413.6 |

| | 2013 | | |
|---|---|---|---|
| | Within 1 year or on demand HK$'million | 1 to 5 years HK$'million | Total HK$'million |
| Trade creditors | 85.0 | – | 85.0 |
| Other financial liabilities included in creditors and accruals | 367.7 | 6.2 | 373.9 |
| Deposits received | 20.3 | – | 20.3 |
| Derivative financial instruments | 3.5 | 0.6 | 4.1 |
| Interest bearing bank borrowings | 1,763.5 | 6,258.1 | 8,021.6 |
| Other borrowings | 158.0 | 4,799.8 | 4,957.8 |
| | 2,398.0 | 11,064.7 | 13,462.7 |

| | COMPANY | |
|---|---|---|
| | 2014 Within 1 year or on demand HK$'million | 2013 Within 1 year or on demand HK$'million |
| Creditors and accruals | **2.4** | 2.6 |
| Corporate guarantees provided in respect of banking facilities granted to subsidiaries | **2,463.0** | 1,324.0 |
| | **2,465.4** | 1,326.6 |

### Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed and unlisted equity investments (note 19) and unlisted equity investments classified as available-for-sale investments (note 18) as at 31st December, 2014.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments that are carried at fair value, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

| | Carrying amount of investments HK$'million | Change in profit before tax HK$'million | Change in equity* HK$'million |
|---|---|---|---|
| **2014** | | | |
| Listed investments: | | | |
| – At fair value through profit or loss | **610.4** | **30.5** | **–** |
| Unlisted investments: | | | |
| – Available-for-sale | **131.8** | **–** | **6.6** |
| **2013** | | | |
| Listed investments: | | | |
| – At fair value through profit or loss | 631.1 | 31.6 | – |
| Unlisted investments: | | | |
| – Available-for-sale | 18.3 | – | 0.9 |

* 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 corporate guarantees given by the Company for banking facilities granted to certain subsidiaries, to maintain a minimum consolidated tangible net worth, which has been complied with during the year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2014 and 31st December, 2013.

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

**Group**

| | **2014 HK$'million** | **2013 HK$'million** |
|---|---|---|
| Interest bearing bank borrowings and other borrowings | **13,357.9** | 11,424.3 |
| Less: Cash, bank balances and deposits | **(3,332.5)** | (2,870.4) |
| Net debt | **10,025.4** | 8,553.9 |
| Total assets | **36,942.1** | 34,993.4 |
| Debt to total assets ratio | **27.1%** | 24.4% |

## 47. EVENT AFTER THE REPORTING PERIOD

In September 2014, the RHIHL Group entered into a proposal letter with a third party seller that is a wholly owned subsidiary of Embraer S.A., an aircraft manufacturer, for the proposed acquisition of a fleet of eighteen passenger aircraft manufactured by Embraer S.A. (the "Proposal Letter"). After further negotiations with the seller based on the terms of the Proposal Letter and the subsequent purchase agreement, the RHIHL Group has completed in February 2015 the acquisition of twelve Embraer aircraft, out of the original fleet of eighteen aircraft, at an adjusted aggregate purchase price of US$34.5 million. All these twelve aircraft are under leases to different airline operators operating in various countries.

## 48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24th March, 2015.

# Independent Auditors' Report

EY 安永

**To the shareholders of Paliburg Holdings Limited**
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Paliburg Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 160, which comprise the consolidated and company statements of financial position as at 31st December, 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

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

## Auditors' responsibility

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

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

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

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**
**Certified Public Accountants**

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

24th March, 2015

# Schedule of Principal Properties

***As at 31st December, 2014***

## PROPERTIES FOR DEVELOPMENT AND/OR SALE

| | Description | Use | Approx. area | Stage of completion (completion date of development project) | Percentage of interest attributable to the Company |
|---|---|---|---|---|---|
| (1) | Certain 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.)<br><br>Gross floor area of 8 remaining apartment units held - approx. 1,545 sq. m. (16,634 sq. ft.) | Completed in March 2011 | 30 |
| (2) | Certain carparking spaces at Park Royale, Yuen Long Town Lot No. 450, 38 Town Park Road North, Yuen Long, Hong Kong | Carparking spaces | – | – | 100 |
| (3) | Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong | Hotel | Site area - approx. 345 sq. m. (3,710 sq. ft.)<br><br>Gross floor area - approx. 5,236 sq. m. (56,360 sq. ft.) (98 guestrooms and suites) | Foundation works completed<br><br>(expected to be completed in 2016) | 82.2 |

*As at 31st December, 2014*

| | Description | Use | Approx. area | Stage of completion (completion date of development project) | Percentage of interest attributable to the Company |
|---|---|---|---|---|---|
| (4) | Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon, Hong Kong | Hotel | Site area - approx. 700 sq. m. (7,535 sq. ft.)<br><br>Gross floor area - approx. 6,298 sq. m. (67,790 sq. ft.) | Superstructure works in progress<br><br>(expected to be completed in the first half of 2016) | 82.2 |
| (5) | Lot No. 4309 in Demarcation District No.124, Tan Kwai Tsuen Road, Yuen Long, New Territories, Hong Kong | Residential | Site area - approx. 11,192 sq. m. (120,470 sq. ft.)<br><br>Gross floor area - approx. 11,192 sq. m. (120,470 sq. ft.) (36 houses and 134 apartments) | Superstructure works completed<br><br>(Occupation permit expected to be issued in 2nd quarter of 2015) | 82.2 |
| (6) | Sha Tin Town Lot No. 578, Area 56A, Kau To, Sha Tin, New Territories, Hong Kong | Residential | Site area - approx. 17,476 sq. m. (188,100 sq. ft.) (approx. 134 units, 24 houses and 198 car parks)<br><br>Gross floor area - approx. 32,474 sq. m. (349,547 sq. ft.) | Foundation works commenced<br><br>(expected to be completed in 2017) | 82.2 |

*As at 31st December, 2014*

| | Description | Use | Approx. area | Stage of completion (completion date of development project) | Percentage of interest attributable to the Company |
|---|---|---|---|---|---|
| (7) | Sha Tin Town Lot No. 482<br>Po Tai Street,<br>Ma On Shan,<br>Sha Tin,<br>New Territories,<br>Hong Kong | Commercial | Site area -<br>approx. 5,090 sq. m.<br>(54,788 sq. ft.)<br><br>Gross floor area -<br>approx. 15,270 sq. m.<br>(164,364 sq. ft.) | Foundation works commenced<br><br>(expected to be completed in 2017) | 82.2 |
| (8) | Nos. 69-83 Shun Ning Road,<br>Sham Shui Po,<br>Kowloon,<br>Hong Kong | Commercial/ residential | Site area -<br>approx. 824.9 sq. m.<br>(8,879 sq. ft.)<br>(approx. 155 residential units, 2 storeys of shops and 1 storey of basement carpark)<br><br>Gross floor area<br>- approx. 7,159 sq. m.<br>(77,059 sq. ft.) | Foundation works commenced<br><br>(expected to be completed in 2017) | 82.2 |
| (9) | Certain luxury residential houses at Regalia Bay,<br>88 Wong Ma Kok Road,<br>Stanley,<br>Hong Kong | Residential | Site area for the whole development -<br>approx. 53,126 sq. m.<br>(571,848 sq. ft.)<br><br>Gross area of 8 remaining houses held -<br>approx. 3,662 sq. m.<br>(39,421 sq. ft.) | Completed in March 2004 | 64.4 |

***As at 31st December, 2014***

| | Description | Use | Approx. area | Stage of completion (completion date of development project) | Percentage of interest attributable to the Company |
|---|---|---|---|---|---|
| (10) | Development site at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC | Hotel and commercial complex/ residential | Site area for the whole development - approx. 111,869 sq. m. (1,204,148 sq. ft.)<br><br>Total gross floor area - approx. 497,000 sq. m. (5,349,700 sq. ft.)<br><br>First stage<br>• a 306-room hotel<br>• 3 residential towers having 340 apartment units with car parks and ancillary commercial accommodation (Total gross floor area - approx. 45,500 sq. m. (490,000 sq. ft.))<br><br>Stage two<br>• residential development with total gross floor area of approx. 176,516 sq. m. (1,900,000 sq. ft.)<br><br>Stage three<br>• commercial and office accommodations with total gross floor area of approx. 139,355 sq. m. (1,500,000 sq. ft.) | First stage<br>• Construction works for 3 residential towers expected to be completed in 3rd quarter of 2016<br><br>• Presale of the residential units anticipated to be launched in 3rd quarter of 2015<br><br>• Hotel portion planned to be completed in phases from 2016 | 59.0 |

*As at 31st December, 2014*

| | Description | Use | Approx. area | Stage of completion (completion date of development project) | Percentage of interest attributable to the Company |
|---|---|---|---|---|---|
| (11) | Development site at the intersection between Weiguo Road and Xinkai Road, Hedong District, Tianjin, PRC | Commercial/ office/ residential | Site area for the whole development - approx. 31,700 sq. m. (341,216 sq. ft.)<br><br>Total gross floor area - approx. 145,000 sq. m. (1,560,780 sq. ft.) | Piling works completed; development plans approved<br><br>(expected to be completed in stages within 2018) | 59.0 |

*As at 31st December, 2014*

## PROPERTIES FOR INVESTMENT

| | Description | Use | Lease | Percentage of interest attributable to the Company |
|---|---|---|---|---|
| (1) | 10 duplex residential units and 14 carparking spaces at Rainbow Lodge, 9 Ping Shan Lane, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong | Residential | Medium term | 82.2 |
| (2) | 11 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong | Residential | Medium term | 64.4 |
| (3) | Regal Airport Hotel 9 Cheong Tat Road, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong | Hotel | Medium term | 48.0 |
| (4) | Regal Hongkong Hotel 88 Yee Wo Street, Causeway Bay, Hong Kong | Hotel | Long term | 48.0 |
| (5) | Regal Kowloon Hotel 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong | Hotel | Long term | 48.0 |

***As at 31st December, 2014***

| | Description | Use | Lease | Percentage of interest attributable to the Company |
|---|---|---|---|---|
| (6) | Regal Oriental Hotel<br>30-38 Sa Po Road and<br>Shops 3-11 on G/F<br>including Cockloft of Shops 5-7<br>and the whole of 1/F,<br>Po Sing Court,<br>21-25 Shek Ku Lung Road,<br>40-42 Sa Po Road and<br>15-29 Carpenter Road,<br>Kowloon City,<br>Kowloon,<br>Hong Kong | Hotel | Medium term | 48.0 |
| (7) | Regal Riverside Hotel<br>34-36 Tai Chung Kiu Road,<br>Shatin, New Territories,<br>Hong Kong | Hotel | Medium term | 48.0 |
| (8) | iclub Wan Chai Hotel<br>Shops A, B and C on<br>G/F, Flat Roof on 3/F,<br>Whole of 5-12/F,<br>15-23/F and 25-29/F,<br>Eastern and Western<br>Elevations of External Walls,<br>Architectural Feature at<br>Roof Top and Upper Roof,<br>211 Johnston Road,<br>Wanchai,<br>Hong Kong | Hotel/<br>commercial | Long term | 48.0 |

***As at 31st December, 2014***

| | Description | Use | Lease | Percentage of interest attributable to the Company |
|---|---|---|---|---|
| (9) | iclub Fortress Hill Hotel<br>Nos.14-20 Merlin Street,<br>North Point,<br>Hong Kong | Hotel | Long term | 48.0 |
| (10) | iclub Sheung Wan Hotel<br>Nos.132-140 Bonham Strand,<br>Sheung Wan,<br>Hong Kong | Hotel | Long term | 48.0 |

# Published Five Year Financial Summary

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

## RESULTS

| | Year ended 31st December, | | | | |
|---|---|---|---|---|---|
| | **2014**<br>**HK$'million** | **2013**<br>**HK$'million** | **2012**<br>**HK$'million** | **2011**<br>**HK$'million** | **2010**<br>**HK$'million** |
| Revenue | **2,301.2** | 3,604.1 | 1,722.4 | 436.1 | 120.0 |
| Operating profit/(loss) | **647.9** | 751.1 | 2,330.1 | (561.9) | 441.9 |
| Finance costs | **(236.0)** | (260.5) | (121.6) | (0.9) | (0.1) |
| Share of profits and losses of: | | | | | |
| Joint ventures | **–** | 0.3 | (0.2) | 41.4 | – |
| Associates | **(15.5)** | 41.8 | 170.7 | 2,005.9 | 1,709.3 |
| Profit before tax | **396.4** | 532.7 | 2,379.0 | 1,484.5 | 2,151.1 |
| Income tax | **18.7** | (84.9) | (2.6) | (0.4) | (0.6) |
| Profit for the year before allocation between equity holders of the parent and non-controlling interests | **415.1** | 447.8 | 2,376.4 | 1,484.1 | 2,150.5 |
| Attributable to: | | | | | |
| Equity holders of the parent | **283.7** | 322.9 | 2,294.3 | 1,484.2 | 2,150.5 |
| Non-controlling interests | **131.4** | 124.9 | 82.1 | (0.1) | – |
| | **415.1** | 447.8 | 2,376.4 | 1,484.1 | 2,150.5 |

# Published Five Year Financial Summary (Cont'd)

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | 31st December, | | | | |
|---|---|---|---|---|---|
| | **2014 HK$'million** | **2013 HK$'million** | **2012 HK$'million** | **2011 HK$'million** | **2010 HK$'million** |
| Property, plant and equipment | **19,687.6** | 19,345.0 | 20,269.8 | 1.7 | 1.6 |
| Investment properties | **1,946.6** | 1,715.4 | 948.3 | 0.2 | 0.5 |
| Properties under development | **1,305.1** | 1,308.6 | 370.8 | – | – |
| Investment in a joint venture | **–** | – | 251.2 | 940.9 | – |
| Investments in associates | **25.7** | 27.6 | 26.1 | 6,043.3 | 6,075.0 |
| Available-for-sale investments | **131.8** | 18.3 | 9.5 | 3.6 | – |
| Financial assets at fair value through profit or loss | **1.9** | – | 164.5 | 348.3 | 957.1 |
| Loans receivable | **1.7** | 8.4 | 21.7 | 3.0 | 3.2 |
| Deposits and prepayments | **87.2** | 60.9 | 2.3 | – | 42.6 |
| Deferred tax assets | **62.4** | – | – | – | – |
| Trademark | **610.2** | 610.2 | 610.2 | – | – |
| Goodwill | **261.0** | 261.0 | – | – | – |
| Current assets | **12,820.9** | 11,638.0 | 9,070.7 | 1,730.8 | 973.4 |
| Total assets | **36,942.1** | 34,993.4 | 31,745.1 | 9,071.8 | 8,053.4 |
| Current liabilities | **(2,193.0)** | (2,271.4) | (789.2) | (125.0) | (369.4) |
| Creditor and deposits received | **(27.8)** | (13.9) | (450.6) | – | – |
| Interest bearing bank borrowings | **(7,770.8)** | (5,599.8) | (5,404.3) | – | – |
| Other borrowings | **(4,211.2)** | (4,200.5) | (2,293.8) | – | – |
| Derivative financial instruments | **–** | (4.1) | (2.8) | – | – |
| Deferred tax liabilities | **(2,296.2)** | (2,322.4) | (2,286.8) | – | – |
| Total liabilities | **(16,499.0)** | (14,412.1) | (11,227.5) | (125.0) | (369.4) |
| Non-controlling interests | **(7,380.6)** | (8,429.4) | (9,384.2) | (0.9) | (0.2) |

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