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

ANNOUNCEMENT OF 2019 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2019 HK$'M	Year 2018 HK$'M	% Change
Revenue	**2,899.5**	5,894.3	**-50.8%**
Gross profit	**1,294.2**	2,002.1	**-35.4%**
Operating profit before depreciation and amortisation, finance costs and tax	**1,545.3**	1,603.0	**-3.6%**
Profit for the year attributable to equity holders of the parent	**282.6**	321.0	**-12.0%**
Basic earnings per ordinary share attributable to equity holders of the parent	**HK18.33 cents**	HK21.75 cents	**-15.7%**
Proposed final dividend per ordinary share	**HK3.0 cents**	HK8.0 cents	**-62.5%**
Total dividends for the year per ordinary share	**HK5.5 cents**	HK10.8 cents	**-49.1%**

	As at 31st December,		
	Year 2019 (Unaudited)	Year 2018 (Unaudited)	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	**HK$12.38**	HK$12.36	**+0.2%**
***Adjusted**	**HK$15.77**	HK$16.72	**-5.7%**

* compiled, for the purpose of reference, on an adjusted basis to restate the hotel property portfolio owned by the Regal group in Hong Kong at its market value at 31st December, 2018 and 2019, respectively, with the relevant deferred tax liabilities added back

- **For the year under review, the Group achieved consolidated profit attributable to shareholders of HK$282.6 million, approximately 12.0% below that attained in the preceding year.**
- **Although substantial contracted sales have been secured on the disposal of the houses and apartments at Mount Regalia in Kau To in Hong Kong developed by P&R Holdings Limited (a joint venture 50:50 held by the Company and Regal Hotels International Holdings Limited and, in turn, effectively a subsidiary of the Company) as well as the presale of the residential units in the third stage of the composite development undertaken by Cosmopolitan International Holdings Limited (a listed subsidiary of the Company) in Chengdu, the PRC, the revenue contribution from property sales during the year was relatively small, as profits from the sale of properties will only be recognised when the properties sold are handed over to the purchasers after completion of the relevant sale contracts.**
- **Moreover, the results of the Group's hotel operations, which are undertaken through Regal, the major listed subsidiary of the Company, for the year as a whole have also been adversely affected by the social unrest in Hong Kong since June last year.**
- **Nevertheless, the Group was able to achieve in the year under review increased disposal profits and fair value gains derived from its portfolio of financial assets and significant gains from the disposal of 50% equity interests in the subsidiaries that own the iclub Sheung Wan II hotel development in Hong Kong developed by P&R Holdings, which was completed before the year end.**
- **Operating profit before depreciation and amortisation, finance costs and tax for the year amounted to HK$1,545.3 million, which was slightly lower than the corresponding amount of HK$1,603.0 million in the preceding year.**
- **Depreciation charges in the amount of HK$567.9 million were provided on the Group's hotel properties in Hong Kong which, although having no impact on the Group's cash flow, have nevertheless affected the reported results.**
- **On 31st December, 2019, the P&R Holdings group, as seller, entered into an agreement with an independent third party for the sale of 220,000,000 issued ordinary shares of Cosmopolitan at a price of HK$1.70 per Cosmopolitan share, for a total consideration of HK$374.0 million. At the same time, the P&R Holdings group, as buyer, entered into an agreement with AMTD Group Company Limited for the purchase of 5,674,000 Class A ordinary shares of AMTD International Inc. at a price of US$8.45 per share, for a total consideration of US$47.9 million (equivalent to approximately HK$374.0 million).**

- **On 24th January, 2020, the P&R Holdings group, as seller, entered into an agreement with a wholly owned subsidiary of AMTD Group for the further disposal of a total of 368,320,000 Cosmopolitan shares at the same price of HK$1.70 per Cosmopolitan share, for a total consideration of approximately HK$626.1 million. On the same date, P&R Holdings group, as buyer, also entered into an agreement for the purchase of additional 9,500,000 AMTD Class A ordinary shares at a price of US$8.45 per share, for a total consideration of US$80.3 million (equivalent to approximately HK$626.1 million). The proposed transactions will take place concurrently when all the requisite conditions precedent are fulfilled.**

- **The selling price of HK$1.70 per Cosmopolitan share is well above the carrying cost of such shares in the book of the Group. However, as Cosmopolitan will remain as a subsidiary of the Group, even if the proposed further disposal of the Cosmopolitan shares is completed, there will be no impact on the profit or loss or on the consolidated statement of comprehensive income of the Company but will serve to enhance the underlying net asset value of the Company's shares as a result of such disposals.**

- **The Group believes that the long-term strategic relationship with AMTD will allow the Group to capitalise on the investment banking capabilities of AMTD under its financial services platform while, on the other hand, the introduction of AMTD Group as a new strategic investor of Cosmopolitan could potentially enhance the underlying embedded liquidity of the Cosmopolitan shares as a whole.**

- **The property development and investment business of the Group is principally undertaken through P&R Holdings and, at appropriate times, by Regal itself.**

- **Mount Regalia in Kau To, Sha Tin is a major residential project developed by P&R Holdings, which comprises a total of 24 garden houses, 136 apartment units together with car parks and club house facilities. The sale programme commenced in early 2019 and, up to date, 2 houses and 18 apartment units have been contracted to be sold at relatively attractive prices as compared to the development costs.**

- **On 31st December, 2019, P&R Holdings group entered into an agreement with a wholly owned subsidiary of AMTD Group for the sale of 50% equity interests in the entities that own the iclub Sheung Wan II hotel located in Sheung Wan, Hong Kong, with the sale consideration based on an agreed value of HK$1,200.0 million for the hotel property. The sale agreement has been completed on 31st December, 2019 following the signing of the sale agreement and the profit derived from this disposal already reflected in the results of the Group for the year under review.**

- **Apart from the We Go MALL in Ma On Shan, Sha Tin that is being retained as an investment property for rental income, P&R Holdings group is also self-operating the iclub Mong Kok Hotel in Tai Kok Tsui, a 288-room hotel that was soft opened for business in March 2019, with the hotel management undertaken by the Regal group.**
- **In the meantime, P&R Holdings is also developing two commercial/residential projects in Hong Kong. One is located at Kam Wa Street in Shau Kei Wan, the development works for which have been progressing steadily, and the other at Castle Peak Road in Cheung Sha Wan, which is still at development planning stage.**
- **Detailed information on the business operations of Regal, Regal REIT and Cosmopolitan, the three listed subsidiaries of the Company, are contained in their separate results announcements released today.**
- **Despite the increased volatility in the global markets recently, the Group is confident that the various development projects currently undertaken in Hong Kong and the PRC will be able to contribute significant profits and cash flows in the coming few years, thus assuring continuing prospects for the Group amid a difficult and challenging environment.**

FINANCIAL RESULTS

For the year ended 31st December, 2019, the Group achieved consolidated profit attributable to shareholders of HK$282.6 million, which was approximately 12.0% below the profit of HK$321.0 million attained in the preceding year.

In the comparative results attained in 2018, the Group recorded substantial profits from the completed sales of the residential units in the development project undertaken by Cosmopolitan International Holdings Limited, a listed subsidiary of the Company, in Tianjin, the People's Republic of China. Whereas for the year under review, although substantial contracted sales have been secured on the disposal of the houses and apartments at Mount Regalia in Kau To in Hong Kong developed by P&R Holdings Limited, a subsidiary of the Company, as well as the presale of the residential units in the third stage of the composite development undertaken by Cosmopolitan in Chengdu, the PRC, both at relatively attractive prices, the revenue contribution from property sales was relatively small, as profits from the sale of properties will only be recognised when the properties sold are handed over to the purchasers after completion of the relevant sale contracts. Apart from the decrease in the profit contribution from property sales, the results of the Group's hotel operations, which are undertaken through Regal Hotels International Holdings Limited, the major listed subsidiary of the Company, for the year as a whole have also been adversely affected by the social unrest in Hong Kong since June last year.

Nevertheless, the Group was able to achieve in the year under review increased disposal profits and fair value gains derived from its portfolio of financial assets and, as further elaborated below, significant gains from the disposal of 50% equity interests in the subsidiaries that own the iclub Sheung Wan II hotel development in Hong Kong, which was completed before the year end.

Gross profit from business operations, including those from all of its subsidiary undertakings, amounted to HK$1,294.2 million, as compared to HK$2,002.1 million in 2018. Operating profit before depreciation and amortisation, finance costs and tax for the year amounted to HK$1,545.3 million, which was slightly lower than the corresponding amount of HK$1,603.0 million in the preceding year for reasons as explained above. As the Group's hotel properties in Hong Kong are all owned and operated within the Group, they are classified in the Group's consolidated financial statements as property, plant and equipment and right-of-use assets, and are subject to depreciation charges to conform to applicable accounting standards. Accordingly, depreciation charges in the amount of HK$567.9 million have been provided on these hotel properties for the year (2018 – HK$543.7 million) which, although having no impact on the Group's cash flow, have nevertheless affected the reported results.

Supplementary information showing the adjusted net asset value of the Company of HK$15.77 per share as at 31st December, 2019, after adjusting for the market value of the hotel properties in Hong Kong on the basis therein presented, is contained in the paragraph headed "Assets Value" in the section headed "Management Discussion and Analysis" in this announcement.

BUSINESS OVERVIEW

The Group comprises a total of four listed entities, with diversified business interests in properties, hotels, aircraft ownership and leasing, and financial assets and other investments.

As at 31st December, 2019, the Group directly held a controlling shareholding interest of approximately 69.3% in Regal which, in turn, held approximately 74.6% of the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal that operates as the hotel owning entity.

The Group's property development and investment businesses in Hong Kong are principally undertaken through P&R Holding, a joint venture 50:50 held by each of the Company and Regal, which effectively is, in turn, also a subsidiary of the Group.

Apart from its property development and investment businesses, P&R Holdings also held as at the year end date an effective controlling shareholding interest of 75.7% in Cosmopolitan (comprising interests in its ordinary shares and convertible preference shares) and, in addition, convertible bonds of Cosmopolitan. Cosmopolitan is consequently also a listed member of the Group, which principally focuses on property development and investment in the PRC and other investment businesses.

In the joint announcement published by the Company dated 2nd January, 2020, a wholly owned subsidiary of P&R Holdings, as seller, entered into an agreement with an independent third party on 31st December, 2019 for the sale of 220,000,000 issued ordinary shares of Cosmopolitan at a price of HK$1.70 per Cosmopolitan share, for a total consideration of HK$374.0 million. At the same time, P&R Finance Limited, another wholly owned subsidiary of P&R Holdings, as buyer, entered into an agreement with AMTD Group Company Limited for the purchase of 5,674,000 Class A ordinary shares of AMTD International Inc. at a price of US$8.45 per share, for a total consideration of US$47.9 million (equivalent to approximately HK$374.0 million). The American depositary shares of AMTD International, into which the AMTD Class A ordinary shares can be converted, are listed on the New York Stock Exchange. Both transactions were completed on 10th January, 2020 and the proceeds from the disposal of the Cosmopolitan shares have been applied to settle the consideration for the purchase of the AMTD Class A ordinary shares.

As also disclosed in the joint announcement dated 2nd January, 2020, Cosmopolitan group entered into an agreement on 31st December, 2019 with an independent third party for the disposal of its interests in certain loans and deposits that it owns in connection with its proposed investment in the logistics business in PRC, and the proceeds to be received from such disposal are also intended to be applied for the acquisition of AMTD Class A ordinary shares. Further details of this transaction are contained in the section "Cosmopolitan International Holdings Limited" under "Business Review" below.

Subsequently, on 24th January, 2020, the P&R Holdings group, as seller, entered into an agreement with a wholly owned subsidiary of AMTD Group for the further disposal of a total of 368,320,000 Cosmopolitan shares at the same price of HK$1.70 per Cosmopolitan share, for a total consideration of approximately HK$626.1 million. On the same date, P&R Finance, as buyer, also entered into an agreement with AMTD Group for the purchase of additional 9,500,000 AMTD Class A ordinary shares at a price of US$8.45 per share, for a total consideration of US$80.3 million (equivalent to approximately HK$626.1 million). The proposed transactions constitute a major transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and a circular containing requisite relevant information will soon be dispatched to the shareholders of the Company. Completion of these transactions are conditional upon, among others, approval from shareholders of the Company by way of written approval and from the shareholders of Century City International Holdings Limited, the listed holding company of the Company, at a general meeting to be convened and will take place concurrently when all the conditions precedent are fulfilled.

The selling price of HK$1.70 per Cosmopolitan share is well above the carrying cost of such shares in the book of the Group. However, as Cosmopolitan will remain as a subsidiary of the Group, even if the proposed further disposal of the Cosmopolitan shares is completed, there will be no impact on the profit or loss or on the consolidated statement of comprehensive income of the Company but will serve to enhance the underlying net asset value of the Company's shares as a result of such disposals.

If all these transactions are duly completed, P&R Holdings group (including Cosmopolitan group) will come to hold 21,243,000 AMTD Class A ordinary shares, representing 8.6% of the total outstanding share capital of AMTD International, and AMTD Group will come to hold approximately 8.3% of the existing ordinary share capital of the Cosmopolitan. The Group believes that the long-term strategic relationship with AMTD will allow the Group to capitalise on the investment banking capabilities of AMTD under its financial services platform while, on the other hand, the introduction of AMTD Group as a new strategic investor of Cosmopolitan could potentially enhance the underlying embedded liquidity of the Cosmopolitan shares as a whole.

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

PROPERTIES

Affected by the local social unrest, the property market in Hong Kong has slowed down notably in the second half of the year under review. However, apart from the retail property sector that was affected most badly, the adjustments to the property prices in the other sectors have been relatively moderate. As the property market was comparatively active in the first few months of the year, total transaction volume of residential properties in 2019 still surpassed the level in the prior year, reflecting the strong underlying demand for residential accommodation in Hong Kong.

The property development and investment business of the Group is principally undertaken through P&R Holdings and, at appropriate times, by Regal.

Mount Regalia in Kau To, Sha Tin is a major residential project developed by P&R Holdings, which comprises a total of 24 garden houses, 136 apartment units together with car parks and club house facilities. The sale programme commenced in early 2019 and, up to date, 2 houses and 18 apartment units have been contracted to be sold at relatively attractive prices as compared to the development costs. Among these contracted sales, 2 houses and 3 apartment units have already been completed and the properties delivered to the buyers.

As also disclosed in the joint announcement of the Company dated 2nd January, 2020, P&R Holdings group entered into an agreement with a wholly owned subsidiary of AMTD Group on 31st December, 2019 for the sale of 50% equity interests in the entities that own the iclub Sheung Wan II hotel located in Sheung Wan, Hong Kong, with the sale consideration based on an agreed value of HK$1,200.0 million for the hotel property. The hotel is a select-service hotel with 98 guestrooms and suites (totally 162 room bays) and was developed by P&R Holdings. The occupation permit for the hotel was issued in November 2019 and the hotel licence is expected to be obtained shortly. The sale agreement has been completed on 31st December, 2019 following the signing of the sale agreement and the profit derived from this disposal already reflected in the results of the Group for the year under review. Details of the transaction, including the put and call options on the parties over the remaining equity interests held in the property holding entities, were contained in the said joint announcement.

Apart from the We Go MALL in Ma On Shan, Sha Tin that is being retained as an investment property for rental income, P&R Holdings group is also self-operating the iclub Mong Kok Hotel in Tai Kok Tsui, a 288-room hotel that was soft opened for business in March 2019, with the hotel management undertaken by the Regal group.

In the meantime, P&R Holdings is also developing two commercial/residential projects in Hong Kong. One is located at Kam Wa Street in Shau Kei Wan, the development works for which have been progressing steadily, and the other at Castle Peak Road in Cheung Sha Wan, which is still at development planning stage.

Additional information on the Group's property development projects and properties, including those undertaken by P&R Holdings and Regal as well as the projects in PRC that are undertaken through Cosmopolitan, are contained in the section headed "Management Discussion and Analysis" in this announcement.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2019, Regal achieved a consolidated profit attributable to shareholders of HK$454.6 million, as compared to the profit of HK$547.7 million recorded in the preceding year.

Further information on the principal business operations and outlook of Regal, including its Management Discussion and Analysis, is contained in Regal's announcement separately released today.

REGAL REAL ESTATE INVESTMENT TRUST

For the year ended 31st December, 2019, Regal REIT recorded a consolidated loss before distributions to Unitholders of HK$2,102.3 million, as compared to a profit of HK$2,251.7 million for the financial year 2018. Distributable income for the year attributable to Unitholders amounted to HK$445.2 million, approximately 9.0% below the comparative amount of HK$489.2 million in the preceding year.

Further information on the principal business operations and outlook of Regal REIT, including its Management Discussion and Analysis, is contained in Regal REIT's announcement separately released today.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2019, Cosmopolitan recorded a loss attributable to shareholders of HK$170.3 million, while a profit of HK$201.9 million was attained in 2018.

Further information on the principal business operations and outlook of Cosmopolitan, including its Management Discussion and Analysis, is contained in Cosmopolitan's announcement separately released today.

OUTLOOK

The real estate market in Hong Kong in the recent few months as a whole has been relatively quiet due to the measures taken to suppress the spread of the coronavirus, though the primary sale of new residential units still received favourable response. Market activities should gradually revive when the pandemic is over and the investor confidence is restored. Having regard to the anticipated continuing shortage in the supply of private housing development lands and the strong underlying demand, the outlook for the residential property market in Hong Kong remains positive.

Despite the increased volatility in the global markets recently, the Group is confident that the various development projects currently undertaken in Hong Kong and the PRC will be able to contribute significant profits and cash flows in the coming few years, thus assuring continuing prospects for the Group amid a difficult and challenging environment.

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

The significant investments and business interests of Regal, the principal listed subsidiary of the Group, comprise hotel ownership business undertaken through 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, aircraft ownership and leasing and other investment businesses.

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 and other investments, which are mainly focused in the PRC, and investment in financial assets.

The performance of the Group's property, construction and building related and other investment businesses, and the principal businesses of Regal and 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 the general market conditions and the potential impact on their operating performances and future prospects are contained in the sections headed "Business Overview" and "Outlook" above and in this sub-section as well as in the separate final results announcements for 2019 released by Regal, Regal REIT and Cosmopolitan.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the above sections headed "Business Overview" and "Outlook" and in this sub-section.

P&R HOLDINGS LIMITED

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

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

Apart from the Shun Ning Road development project in Sham Shui Po, Kowloon and the Anchor Street/Fuk Tsun Street development project in Tai Kok Tsui, Kowloon, both of which were undertaken pursuant to the development contracts awarded by the Urban Renewal Authority of Hong Kong, all of the ongoing development projects and properties are wholly owned by P&R Holdings group (except as otherwise denoted).

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

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

With the exception of 1 unit, all the other 133 units in the apartment block, named Domus, had been sold. The sale programme for the garden houses, named Casa Regalia, which constitute the main component of the development, was first launched in May 2016 and, up to date, a total of 27 houses have been sold or contracted to be sold. The 9 remaining houses will continue to be disposed of on a gradual basis but some of them may in the meantime be retained for rental income.

We Go MALL at No.16 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 has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. This shopping mall was soft opened in May 2018 and is being retained for investment income.

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

This is a joint venture project awarded by the Urban Renewal Authority of Hong Kong through a tender process in March 2014. The land has a site area of 824.9 square metres (8,879 square feet) and has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement carparks. The occupation permit for the project was issued in March 2018 and the certificate of compliance was obtained in July 2018. The presale of the residential units was first launched in July 2016 and all residential units have been sold. The commercial units are planned to be tendered for sale in the second quarter of 2020.

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

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

The sale programme commenced in early 2019 and, up to this date, 2 garden houses and 18 apartment units together with 21 car parks have been contracted to be sold at relatively attractive prices as compared to the development costs, with aggregate gross consideration amounting to about HK$1,177 million. Among these contracted sales, 2 houses and 3 apartment units have already been completed and the properties delivered to the buyers.

Having regard to the low land cost for this development, further substantial profits will be realised when the remaining houses and apartment units are gradually sold.

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

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

The project has been developed into a 20-storey hotel, comprising 288 guestrooms with ancillary facilities, with its occupation permit issued in October 2018. The hotel was soft opened for business after the issue of the hotel licence in March 2019. The legal title to the property was formally conveyed to a wholly owned subsidiary of P&R Holdings in May 2019 under the terms of the development agreement with the Urban Renewal Authority of Hong Kong. The hotel is presently managed by the Regal group and for the time being self-operated by P&R Holdings.

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong, to be named as "iclub Sheung Wan II Hotel"

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is being developed into a hotel with 98 guestrooms and suites (totally 162 room bays), with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). The building works have been completed and the occupation permit was obtained in November 2019. It is expected that the hotel licence will be obtained and the hotel open for business in the second quarter of 2020.

As mentioned in the section under "Business Review" above, P&R Holdings has disposed of 50% equity interest owned in this development on 31st December, 2019 and the profit derived therefrom has been reflected in the results for the year under review.

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

The entire ownership interests in the subject properties have been acquired through private treaty transactions in 2019. The properties have a total site area of 518 square metres (5,580 square feet) and are intended for a commercial/residential development having an aggregate gross floor area of approximately 4,144 square metres (44,606 square feet). The demolition works of the existing buildings are progressing steadily.

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

The properties presently comprise interests in 80% undivided shares of Nos.291-293 Castle Peak Road and 100% ownership interests of Nos.301-303 Castle Peak Road. The properties have a total site area of 488 square metres (5,260 square feet) and are planned for a commercial/residential development having an aggregate gross floor area of approximately 4,395 square metres (47,304 square feet).

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

Regal is a listed subsidiary of the Company. Further information relating to the property projects undertaken and the principal properties owned by the Regal group, which (except for the property project in Portugal) are all wholly owned by Regal, is set out below:

Hong Kong

New hotel project intended to be named as "Regala Skycity Hotel" at the Hong Kong International Airport

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

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

The new project is planned for the development of a 13-storey (including one basement floor) hotel with 1,208 guestrooms and suites as well as extensive banquet, meeting and food and beverage facilities. The hotel will be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses. The superstructure works have been completed and this new hotel is anticipated to be opened for business in the first half of 2021.

Nos.150-162 Queen's Road West, Hong Kong

The project has a combined site area of 682 square metres (7,342 square feet) and is planned for a commercial/residential development with gross floor area of about 5,842 square metres (62,883 square feet). The general building plans have been approved and the demolition works of the existing buildings completed. The foundation works commenced in July 2019 and the project is expected to be completed by 2022. Presale of the residential units in this development is planned to be launched before the end of this year.

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

A total of 13 garden houses in Regalia Bay with total gross area of about 5,861 square metres (63,091 square feet) are still being retained, 7 of which are held as investment properties, 3 as held for sale and 3 as property, plant and equipment and right-of-use assets. The Regal group will continue to dispose of some of these houses if the price offered is considered satisfactory.

Overseas

Campus La Mola, Barcelona, Spain

This hotel property was acquired by the Regal group in 2014. It has a total of 186 rooms and was formerly self-operated by the Regal group. The hotel property has been leased to an independent third party under a lease agreement that commenced in September 2017 and yielded satisfactory rentals during the year under review.

41 Kingsway, London WC2B 6TP, the United Kingdom

The Regal group acquired in April 2019 this freehold existing property at an aggregate consideration of approximately GBP22 million (HK$223.7 million). This existing property has 9 storeys (including basement and ground floor) with gross floor area of approximately 2,150 square metres (23,140 square feet) and is presently vacant. Planning works have been commenced to renovate this property into a hotel with about 73 guestrooms and a restaurant, and the renovated hotel is intended to be self-operated by the Regal group.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

The Regal group has a 90% interest in this property project, which is a rehabilitation and renovation project for a historic building located in an area of vast historical heritage. The building has gross development area of about 1,836 square metres (19,768 square feet) comprising shops and apartments. The design for the renovation programme has been approved by the local government authorities and the renovation works have been commenced at the end of 2019. The property project is intended for sale.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

Property Development

Chengdu Project – Regal Cosmopolitan City

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

The superstructure and fitting-out works for the third stage of the development consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces are in steady progress, targeted to be completed around mid-2021. Presales of seven residential towers consisting of 1,130 units have been launched since March 2019. Up to date, a total of 957 residential units have been contracted as sold at relatively attractive prices, securing aggregate sales proceeds of approximately RMB1,229 million (HK$1,337 million), of which approximately RMB937 million (HK$1,019 million) has already been paid to the Cosmopolitan group as deposits under the presale contracts. The presale of the remaining three residential towers consisting of 425 residential units is scheduled to be launched in mid-2020.

The business remodeling works of the hotel have been completed and corresponding interior design works are progressing. The interior fitting-out works are scheduled to commence in the third quarter of 2020 and the hotel is scheduled to open in phases from the third quarter of 2021.

The updated scheme design of the remaining commercial components within the development, comprising a six-storey commercial complex of about 48,000 square metres (516,700 square feet) and five towers of office accommodations of about 90,500 square metres (974,100 square feet), was approved by the local authority and corresponding detailed design and construction drawings are in progress. The basement excavation works have commenced and the substructure works are planned to be started in mid-2020. Presale of one office tower consisting of 434 units is expected to be launched in late 2020.

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

Nearly all of the residential units have been sold. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing steadily and contracts for sale have been secured for some of the shop units. Certain parts of the commercial complex have in the meantime been leased out for rental income.

The superstructure works of the two office towers have resumed since June 2019 and are planned to be completed in 2022. Presale of one office tower consisting of 137 units is planned to be launched in the third quarter of 2020.

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 (1,228,700 square metres) within the project site would be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

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

Other Investments

Possible Investment in a Logistics Group

As previously disclosed, the Cosmopolitan group, through its wholly owned subsidiary incorporated in the PRC, entered into certain deposit agreements and loan agreements in August and September 2018 for the possible investment in a logistics services provider in the PRC. The Cosmopolitan group has paid deposits to the vendor and the target investee group in a total amount of RMB170 million and also granted loans to the target investee group in an aggregate sum of RMB150 million due for repayment in November 2018. Together with the interest accrued on the loans, the total amount of such deposits and loans amounted to RMB372.1 million (net of tax provision) in the books of the Cosmopolitan group as at 31st December, 2019. They are secured primarily by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee group and certain associates of the vendor.

On 31st December, 2019, the Cosmopolitan group entered into an agreement with an independent purchaser for the proposed disposal of its entire interests in those companies directly and indirectly owning such deposits and loans for a consideration of HK$400 million. The consideration was determined with reference to the total amount of such deposits and loans together with the accrued interest on the loans up to 31st December, 2019. The consideration will be payable by the purchaser in cash upon completion of the transaction and such proceeds will be applied by the Cosmopolitan group to purchase 6,069,000 Class A ordinary shares of AMTD International Inc.. The transaction was approved by the independent shareholders of Cosmopolitan at its Extraordinary General Meeting held on 24th March, 2020. Completion of the transaction is anticipated to take place by the end of March 2020. For the details of the transaction, please refer to the circular of Cosmopolitan dated 5th March, 2020.

Carbon Assets

With an objective to broaden its business spectrum, the Cosmopolitan group entered into a memorandum of understanding (MOU) with certain independent third parties in June 2019 for the possible investment by the Cosmopolitan group in an operating company principally engaged in the management and trading of tradable or transferable China Certified Emissions

Reduction (Carbon Assets) in China. Save for the provisions in relation to, among others, due diligence review and exclusivity period, the MOU does not constitute legally-binding commitment on the parties. Further details on the terms of the MOU are contained in the joint announcement by the Company dated 26th June, 2019.

The Cosmopolitan group subsequently entered into four supplemental MOUs with the other parties to extend the formal agreement signing date, the completion date for due diligence review, and the exclusivity period under the MOU, which are now extended to 30th April, 2020 under the latest supplemental MOU entered into in January 2020. The Cosmopolitan group has substantially completed the due diligence review on the operating company and its business, and is conducting negotiations on the final terms of the proposed investment. If the investment proposal materialises, the operating company will become an associate of the Cosmopolitan group. Further announcement will be made in the event that a formal agreement on the investment proposal is signed by the parties or as and when required.

PRC Real Estate Company

In July 2019, the Cosmopolitan group acquired an 80% equity interest in and also provided pro rata shareholder's loan to an investee company incorporated in the PRC. The investee company has exercised the right to take up 10% equity interest in another PRC-incorporated real estate company that partners with various reputable real estate developers and undertakes joint developments for both industry specific real estate and residential/commercial real estate in China. The Cosmopolitan group anticipates that, through its participation in the investee company, the Cosmopolitan group could have access to more business opportunities for property development in the PRC, either to be undertaken on its own or on a joint basis.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

The Group's wholly owned construction arm, Chatwin Engineering Limited, was the main contractor for the construction of P&R Holdings' hotel developments at Bonham Strand, Sheung Wan (now operating as the iclub Sheung Wan Hotel), Merlin Street, Fortress Hill (now operating as the iclub Fortress Hill Hotel) and Ha Heung Road, To Kwa Wan (now operating as the iclub Ma Tau Wai Hotel), which were completed in January 2014, May 2014 and November 2016, respectively, as well as the residential project at Tan Kwai Tsuen Road, Yuen

Long which was completed in November 2015. Chatwin was also the main contractor for P&R Holdings' iclub Mong Kok Hotel at Anchor Street/Fuk Tsun Street, Tai Kok Tsui that was completed in late 2018 and opened for business in March 2019.

Due to the increasing number of projects undertaken by the Group as a whole, the Group's development consultancy division, which provides professional services on project management, architectural, engineering and interior design aspects, is likewise principally supporting the needs of the Group's member companies.

FINANCIAL ASSETS AND 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. Benefited by the recovery of the capital market during the year, the Group realised significant profits from the disposals of financial assets and also recorded substantial fair value gains on the portfolio of financial assets held as at 31st December, 2019. However, the global financial market plummeted with extreme volatility since February this year, which could have an adverse impact on the performance of the Group's investment portfolio in the current year.

FINANCIAL REVIEW

ASSETS VALUE

All the hotel properties of the Group in Hong Kong owned by Regal REIT, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, were stated in the financial statements at their fair values as at 7th May, 2012 when Regal, together with Regal REIT, became subsidiaries of the Group, plus subsequent capital additions and deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel were stated in the Group's financial statements at cost after full elimination of the unrealised gain arising from the disposal of the hotels by P&R Holdings to Regal REIT, and are also subject to depreciation. For the purpose of providing supplementary information, if the entire hotel property portfolio of the Regal group in Hong Kong is restated in the consolidated financial statements at market value as at 31st December, 2019, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$15.77 per share, computed as follows:

	As at 31st December, 2019	
	HK$'M	**HK$ per ordinary share**
Book net assets attributable to equity holders of the parent	**13,795.2**	**12.38**
Adjustment to restate the Regal group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	**3,779.6**	**3.39**
Unaudited adjusted net assets attributable to equity holders of the parent	**17,574.8**	**15.77**

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

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

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

Cash Flows

Net cash flows generated from operating activities during the year under review amounted to HK$728.7 million (2018 – net cash flows used in operating activities of HK$476.4 million). Net interest payment for the year amounted to HK$489.7 million (2018 – HK$375.4 million).

Borrowings and Gearing

As at 31st December, 2019, the Group had cash and bank balances and deposits of HK$2,738.4 million (2018 – HK$2,718.7 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$17,826.0 million (2018 – HK$16,850.6 million).

As at 31st December, 2019, the gearing ratio of the Group was 38.4% (2018 – 37.5%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK$17,826.0 million (2018 – HK$16,850.6 million), as compared to the total assets of the Group of HK$46,466.6 million (2018 – HK$44,907.6 million).

On the basis of the adjusted total assets as at 31st December, 2019 of HK$53,748.1 million (2018 – HK$54,259.6 million) with the hotel portfolio owned by the Regal group in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 33.2% (2018 – 31.1%).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2019 are shown in the consolidated financial statements ("Financial Statements") contained in the annual report of the Company for the year ended 31st December, 2019 (the "2019 Annual Report") to be published on or before 30th April, 2020.

Lease liabilities

As at 31st December, 2019, the Group had lease liabilities of HK$54.4 million.

Pledge of Assets

As at 31st December, 2019, certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK$34,193.9 million were pledged to secure general banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2019, certain ordinary shares in a listed subsidiary with a market value of HK$376.8 million were also pledged to secure general banking facilities granted to the Group.

As at 31st December, 2018, certain of the Group's property, plant and equipment, investment properties, properties held for sale, financial assets at fair value through profit or loss, financial assets at amortised cost, time deposits and bank balances in the total amount of HK$33,101.0 million were pledged to secure general banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2018, certain ordinary shares in a listed subsidiary with a market value of HK$457.2 million were also pledged to secure general banking facilities granted to the Group.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2019 are shown in the Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2019 are shown in the Financial Statements.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK3.0 cents (2018 – HK8.0 cents) per ordinary share for the year ended 31st December, 2019. This proposed final dividend will absorb an amount of approximately HK$33.4 million (2018 – HK$89.2 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 17th June, 2020.

Together with the interim dividend of HK2.5 cents (2018 – HK2.8 cents) per ordinary share paid in October 2019, total dividends per ordinary share for the year ended 31st December, 2019 will amount to HK5.5 cents (2018 – HK10.8 cents).

ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Tuesday, 9th June, 2020. The Notice of the Annual General Meeting will be published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company and sent to the shareholders of the Company, together with the Company's 2019 Annual Report, in due course.

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 Thursday, 4th June, 2020 to Tuesday, 9th June, 2020, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2020 Annual General Meeting. In order to be entitled to attend and vote at the 2020 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 Wednesday, 3rd June, 2020; and

(ii) from Monday, 15th June, 2020 to Wednesday, 17th June, 2020, 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 Friday, 12th June, 2020.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 3rd July, 2020.

YEAR END RESULTS

Consolidated Statement of Profit or Loss

	Year ended 31st December, 2019 HK$'M	Year ended 31st December, 2018 HK$'M
REVENUE (Notes 2 & 3)	**2,899.5**	5,894.3
Cost of sales	**(1,605.3)**	(3,892.2)
Gross profit	**1,294.2**	2,002.1
Other income and gains, net (Note 3)	**217.3**	120.0
Fair value gains/(losses) on investment properties, net	**(78.8)**	191.7
Fair value loss upon reclassification of properties held for sale to investment properties	**–**	(0.7)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	**147.7**	(214.8)
Gain on disposal of subsidiaries	**491.4**	–
Impairment loss on properties held for sale	**(13.5)**	–
Property selling and marketing expenses	**(80.1)**	(77.0)
Administrative expenses	**(432.9)**	(418.3)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	**1,545.3**	1,603.0
Depreciation and amortisation	**(632.4)**	(592.6)
OPERATING PROFIT (Note 4)	**912.9**	1,010.4
Finance costs (Note 5)	**(575.2)**	(436.0)
Share of profits and losses of associates	**16.9**	(2.3)
PROFIT BEFORE TAX	**354.6**	572.1
Income tax (Note 6)	**(27.4)**	(144.5)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**327.2**	427.6

Consolidated Statement of Profit or Loss (Cont'd)

	Year ended 31st December, 2019 HK$'M	Year ended 31st December, 2018 HK$'M
Attributable to:		
Equity holders of the parent	**282.6**	321.0
Non-controlling interests	**44.6**	106.6
	327.2	427.6
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK18.33 cents**	HK21.75 cents

Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2019 HK$'M	Year ended 31st December, 2018 HK$'M
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**327.2**	427.6
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	**(60.7)**	(138.0)
Share of other comprehensive loss of an associate	**(0.1)**	(0.1)
	(60.8)	(138.1)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Fair value loss on equity investment designated at fair value through other comprehensive income	**(457.7)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(518.5)**	(138.1)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(191.3)**	289.5
Attributable to:		
Equity holders of the parent	**(140.0)**	221.9
Non-controlling interests	**(51.3)**	67.6
	(191.3)	289.5

Consolidated Statement of Financial Position

	31st December, 2019 HK$'M	31st December, 2018 HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**8,680.1**	22,969.3
Investment properties	**3,577.6**	3,782.3
Right-of-use assets	**14,376.6**	–
Properties under development	**1,772.1**	2,227.7
Investments in associates	**580.7**	6.1
Financial assets at fair value through profit or loss	**836.6**	632.4
Loans receivable	**228.6**	133.1
Deposits and prepayments (Note 9)	**322.4**	401.0
Deferred tax assets	**47.5**	42.9
Goodwill	**261.0**	261.0
Trademark	**610.2**	610.2
Other intangible asset	**2.0**	–
Total non-current assets	**31,295.4**	31,066.0
CURRENT ASSETS		
Properties under development	**3,682.4**	1,747.4
Properties held for sale	**5,904.4**	6,128.7
Aircraft held for sale	**–**	5.9
Inventories	**74.2**	64.6
Loans receivable (Note 10)	**477.7**	177.0
Debtors, deposits and prepayments (Note 11)	**692.7**	450.2
Financial assets at amortised cost	**–**	481.3
Financial assets at fair value through profit or loss	**1,588.8**	2,027.2
Derivative financial instruments	**3.1**	28.4
Tax recoverable	**9.5**	12.2
Restricted cash	**439.2**	81.4
Pledged time deposits and bank balances	**357.5**	24.0
Time deposits	**701.1**	1,059.3
Cash and bank balances	**1,240.6**	1,554.0
Total current assets	**15,171.2**	13,841.6

Consolidated Statement of Financial Position (Cont'd)

	31st December, 2019	31st December, 2018
	HK$'M	HK$'M
CURRENT LIABILITIES		
Creditors and accruals (Note 12)	**(905.6)**	(1,177.1)
Contract liabilities	**(1,252.7)**	(336.8)
Lease liabilities	**(17.5)**	–
Deposits received	**(83.6)**	(28.9)
Interest bearing bank borrowings	**(2,482.5)**	(4,131.2)
Derivative financial instruments	–	(1.0)
Tax payable	**(190.1)**	(176.3)
Total current liabilities	**(4,932.0)**	(5,851.3)
NET CURRENT ASSETS	**10,239.2**	7,990.3
TOTAL ASSETS LESS CURRENT LIABILITIES	**41,534.6**	39,056.3
NON-CURRENT LIABILITIES		
Creditors and deposits received	**(87.8)**	(75.3)
Lease liabilities	**(36.9)**	–
Interest bearing bank borrowings	**(15,365.2)**	(12,712.2)
Other borrowings	**(2,716.7)**	(2,725.9)
Deferred tax liabilities	**(1,913.1)**	(1,973.2)
Total non-current liabilities	**(20,119.7)**	(17,486.6)
Net assets	**21,414.9**	21,569.7
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**111.4**	111.4
Reserves	**13,683.8**	13,659.9
	13,795.2	13,771.3
Perpetual securities	**1,732.9**	1,732.9
Non-controlling interests	**5,886.8**	6,065.5
Total equity	**21,414.9**	21,569.7

Notes:

1. Basis of Preparation and Accounting Policies

The financial statements of the Group 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value. Aircraft held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 and Amendments to HKAS 28, the adoption of the above new and revised standards has had no significant financial effect on the Group's consolidated financial statements.

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

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

    The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1st January, 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1st January, 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

    <u>New definition of a lease</u>

    Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1st January, 2019.

As a lessee - Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain offices, warehouse premises, staff quarters, shop units and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1st January, 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities as finance costs.

Impact on transition

Lease liabilities at 1st January, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1st January, 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1st January, 2019.

The right-of-use assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets and lease liabilities separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1st January, 2019. They continue to be measured at fair value applying HKAS 40.

For the leases previously accounted for as operating leases and entered into for earning sublease rental income, the related right-of-use assets of the head leases amounting to HK$8.3 million were measured at fair value at 1st January, 2019, and have been accounted for and classified as investment properties applying HKAS 40 from that date.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1st January, 2019:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1st January, 2019

The impact arising from the adoption of HKFRS 16 as at 1st January, 2019 was as follows:

	Increase/ (Decrease) HK$'M
Assets	
Property, plant and equipment	(14,014.4)
Right-of-use assets	14,051.1
Investment properties	8.3
Total assets	45.0
Liabilities	
Lease liabilities	45.0

The lease liabilities as at 1st January, 2019 reconciled to the operating lease commitments as at 31st December, 2018 were as follows:

	HK$'M
Operating lease commitments as at 31st December, 2018	31.4
Weighted average incremental borrowing rate as at 1st January, 2019	3.02%
Discounted operating lease commitments as at 1st January, 2019	30.3
Add: Payments for optional extension period not recognised as at 31st December, 2018	15.1
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31st December, 2019	(0.4)
Lease liabilities as at 1st January, 2019	45.0

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1st January, 2019 and concluded that the long-term interests in associates continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on financial position or performance of the Group.

2. Operating Segment Information

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

(a) the property development and investment segment comprises the development and sale of properties, the leasing of properties and the provision of estate agency services;

(b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;

(c) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income;

(d) the asset management segment engages in the provision of asset management services to Regal REIT;

(e) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;

(f) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental and interest income; and

(g) the others segment mainly comprises the provision of financing services, sale of food products, operation and management of restaurants, operation of security storage lounge, the provision of housekeeping and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

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

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

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

The 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, 2019 and 2018:

	Property development and investment		**Construction and building related businesses**		**Hotel operation and management and hotel ownership**		**Asset management**		**Financial assets investments**		**Aircraft ownership and leasing**		**Others**		**Eliminations**		**Consolidated**	
	2019 HK$'M	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**
Segment revenue (Note 3):																		
Sales to external customers	630.0	3,295.9	14.1	9.3	1,970.9	2,377.9	-	-	205.1	74.6	44.2	119.1	35.2	17.5	-	-	2,899.5	5,894.3
Intersegment sales	7.4	7.1	65.3	268.0	5.5	7.1	104.9	114.1	-	-	-	-	106.8	103.2	(289.9)	(499.5)	-	-
Total	637.4	3,303.0	79.4	277.3	1,976.4	2,385.0	104.9	114.1	205.1	74.6	44.2	119.1	142.0	120.7	(289.9)	(499.5)	2,899.5	5,894.3
Segment results before depreciation and amortisation	608.3	830.3	1.2	(0.1)	637.6	976.4	(14.5)	(13.1)	365.8	(131.7)	33.9	61.9	(8.4)	0.7	-	-	1,623.9	1,724.4
Depreciation and amortisation	(14.9)	(20.4)	(0.4)	(0.2)	(587.3)	(548.4)	(2.2)	(0.4)	-	-	(15.0)	(18.2)	(11.5)	(3.8)	-	-	(631.3)	(591.4)
Segment results	593.4	809.9	0.8	(0.3)	50.3	428.0	(16.7)	(13.5)	365.8	(131.7)	18.9	43.7	(19.9)	(3.1)	-	-	992.6	1,133.0
Unallocated interest income and unallocated non-operating and corporate gains																	96.0	62.1
Unallocated non-operating and corporate expenses																	(177.2)	(184.7)
Finance costs (other than interest on lease liabilities)																	(573.7)	(436.0)
Share of profits and losses of associates	16.2	(2.4)	-	-	-	-	-	-	-	-	-	-	0.7	0.1	-	-	16.9	(2.3)
Profit before tax																	354.6	572.1
Income tax																	(27.4)	(144.5)
Profit for the year before allocation between equity holders of the parent and non-controlling interests																	327.2	427.6
Attributable to:																		
Equity holders of the parent																	282.6	321.0
Non-controlling interests																	44.6	106.6
																	327.2	427.6

	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Asset management		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2019 HK$'M	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**	**2019 HK$'M**	**2018 HK$'M**
Segment assets	16,294.1	16,077.0	46.0	39.5	23,191.4	21,804.4	36.7	51.0	2,456.9	3,228.9	391.0	414.6	281.7	172.2	(40.7)	(51.3)	42,657.1	41,736.3
Investments in associates	0.7	0.1	-	-	573.2	-	-	-	-	-	-	-	6.8	6.0	-	-	580.7	6.1
Cash and unallocated assets																	3,228.8	3,165.2
Total assets																	46,466.6	44,907.6
Segment liabilities	(1,831.1)	(1,021.3)	(20.1)	(50.4)	(386.4)	(430.4)	(3.5)	(2.1)	(1.4)	(3.5)	(67.6)	(67.7)	(21.2)	(13.7)	40.7	51.3	(2,290.6)	(1,537.8)
Interest bearing bank borrowings and unallocated liabilities																	(22,761.1)	(21,800.1)
Total liabilities																	(25,051.7)	(23,337.9)
Other segment information:																		
Capital expenditure	1,361.0	2,282.6	0.5	84.1	1,033.2	173.6	-	-	-	-	0.1	282.1	13.4	19.8				
Gain on disposal of subsidiaries	(491.4)	-	-	-	-	-	-	-	-	-	-	-	-	-				
Gain on disposal of investment properties	(12.9)	-	-	-	-	-	-	-	-	-	-	-	-	-				
Loss on disposal of items of property, plant and equipment, net	-	-	-	-	-	-	-	-	-	-	-	1.2	-	-				
Reversal of impairment of loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	(0.1)	(0.1)				
Recovery of loans receivable	(73.7)	-	-	-	-	-	-	-	-	-	-	-	-	-				
Impairment loss on properties held for sale	13.5	-	-	-	-	-	-	-	-	-	-	-	-	-				
Impairment of trade debtors	-	-	-	-	0.5	2.6	-	-	-	-	-	-	3.0	0.3				
Write-off of trade debtors	6.2	-	-	-	-	-	-	-	-	-	-	-	-	-				
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	-	-	-	-	-	-	-	-	(147.7)	214.8	-	-	-	-				
Fair value losses/(gains) on investment properties, net	73.6	(186.1)	-	-	5.2	(5.6)	-	-	-	-	-	-	-	-				
Fair value loss upon reclassification of properties held for sale to investment properties	-	0.7	-	-	-	-	-	-	-	-	-	-	-	-				
Interest income	(6.6)	(0.8)	-	-	-	-	-	-	(95.3)	(110.0)	-	(1.9)	(4.0)	(4.0)				
Maintenance reserves released	-	-	-	-	-	-	-	-	-	-	-	(34.4)	-	-				

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'M	**HK$'M**
Hong Kong	**2,717.4**	3,611.1
Mainland China	**122.6**	2,152.6
Other	**59.5**	130.6
	2,899.5	5,894.3

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

	2019	2018
	HK$'M	**HK$'M**
Hong Kong	**27,821.2**	28,077.4
Mainland China	**1,412.6**	1,583.5
Other	**765.5**	589.4
	29,999.3	30,250.3

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

Information about major customer

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

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

	2019	2018
	HK$'M	HK$'M
Revenue		
Revenue from contracts with customers		
Proceeds from sale of properties	**553.8**	3,237.3
Proceeds from disposal of aircraft held for sale	**5.9**	80.4
Hotel operations and management services	**1,893.2**	2,312.8
Construction and construction-related income	**8.0**	3.6
Estate management fees	**6.1**	5.7
Other operations	**32.3**	13.3
Revenue from other sources		
Rental income:		
Hotel properties	**57.0**	48.2
Investment properties	**90.9**	72.0
Aircraft	**38.3**	36.8
Others	**6.1**	3.5
Net gain/(loss) from sale of financial assets at fair value through profit or loss	**95.7**	(34.8)
Net gain/(loss) on settlement of derivative financial instruments	**0.6**	(6.4)
Interest income from financial assets at fair value through profit or loss	**89.1**	99.9
Interest income from finance leases	**–**	1.9
Dividend income from listed investments	**19.7**	15.9
Other operations	**2.8**	4.2
	2,899.5	5,894.3

	2019	2018
	HK$'M	**HK$'M**
<u>Other income and gains, net</u>		
Bank interest income	**25.8**	44.6
Other interest income	**81.6**	29.7
Dividend income from unlisted investments	**8.3**	5.9
Gain on disposal of investment properties	**12.9**	–
Loss on disposal of items of property, plant and equipment, net	**–**	(1.2)
Gain on disposal of unlisted investments included in financial assets at fair value through profit or loss	**6.0**	–
Maintenance reserves released	**–**	34.4
Recovery of loans receivable	**73.7**	–
Others	**9.0**	6.6
	217.3	120.0

4. An analysis of profit on sale of properties, depreciation and amortisation of the Group is as follows:

	2019	2018
	HK$'M	**HK$'M**
Profit on disposal of properties	**254.3**	766.6
Depreciation of property, plant and equipment	**333.3**	592.6
Depreciation of right-of-use assets	**298.4**	–
Amortisation of intangible asset	**0.7**	–
	632.4	592.6

5. Finance costs of the Group are as follows:

	2019	**2018**
	HK$'M	**HK$'M**
Interest on bank loans	**520.7**	413.1
Interest on other borrowings	**108.2**	134.3
Interest expenses arising from revenue contracts	**29.0**	22.6
Interest on lease liabilities	**1.5**	–
Amortisation of debt establishment costs	**49.7**	44.1
Total interest expenses on financial liabilities not at fair value through profit or loss	**709.1**	614.1
Other loan costs	**10.5**	10.5
	719.6	624.6
Less: Finance costs capitalised	**(144.4)**	(188.6)
	575.2	436.0

6. The income tax charge for the year arose as follows:

	2019	**2018**
	HK$'M	**HK$'M**
Current – Hong Kong		
Charge for the year	**63.9**	90.8
Overprovision in prior years	**(0.3)**	(0.1)
Current – Overseas		
Charge for the year	**19.9**	52.3
Underprovision in prior years	**7.0**	–
PRC land appreciation tax	**1.1**	67.1
Deferred	**(64.2)**	(65.6)
Total tax charge for the year	**27.4**	144.5

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2018 – 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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

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

The share of tax attributable to associates amounting to HK$1.1 million (2018 – Nil), is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

7. Dividends:

	2019	**2018**
	HK$'M	**HK$'M**
Interim – HK2.5 cents (2018 – HK2.8 cents) per ordinary share	**27.9**	31.2
Proposed final – HK3.0 cents (2018 – HK8.0 cents) per ordinary share	**33.4**	89.2
	61.3	120.4

8. 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$282.6 million (2018 – HK$321.0 million), adjusted for the share of distribution related to perpetual securities of the Regal group of HK$78.3 million (2018 – HK$78.6 million), and on the weighted average of 1,114.6 million (2018 – 1,114.6 million) ordinary shares of the Company in issue during the year.

No adjustment was made to the basic earnings per ordinary share for the years ended 31st December, 2019 and 2018 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

9. Included in deposits and prepayments under non-current assets as at 31st December, 2018 were the deposits in an aggregate amount of RMB170 million (HK$193.6 million) paid in relation to a possible investment by the Cosmopolitan group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC, further details of which are disclosed in Note 10(a) below.

As further explained in Note 10(a) below, the Cosmopolitan group entered into an agreement for the proposed disposal of its entire interests in certain wholly owned subsidiaries that directly and indirectly own the investment deposits and such deposits in an aggregate amount of RMB170 million (HK$189.6 million) were included under current assets as at 31st December, 2019.

10. Loans receivable included in current assets are analysed as follows:

	2019	**2018**
	HK$'M	**HK$'M**
Short term secured loans (Note (a))	**167.3**	170.8
Loan note receivable (Note (b))	**210.4**	–
Other secured loans	**100.0**	6.2
	477.7	177.0

Notes:

(a) On 16th August, 2018, the Cosmopolitan group entered into a deposit agreement (the "Deposit Agreement") in relation to the possible investment by the Cosmopolitan group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC. Pursuant to the Deposit Agreement, the Cosmopolitan group paid a deposit of RMB70 million (HK$78.1 million) to the vendor and was granted an exclusivity period of 18 months to conduct bona fide negotiations to settle the terms of the possible investment. Following further negotiations with the vendor, the Cosmopolitan group agreed to increase the deposit under the Deposit Agreement from RMB70 million (HK$78.1 million) to RMB170 million (HK$189.6 million). The Cosmopolitan group also granted loan facilities to the target investee group in an aggregate loan amount of RMB150 million (HK$167.3 million) which were fully utilised as at 31st December, 2019 (2018 – RMB150 million (HK$170.8 million)).

The short term secured loans bear interest at 18% to 24% per annum. The deposits and the loan amounts outstanding under the loan facilities are primarily secured by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee group and certain associates of the vendor. The short term secured loans were overdue as at 31st December, 2019.

On 31st December, 2019, the Cosmopolitan group entered into an agreement with another independent purchaser for the proposed disposal of its entire interests in certain wholly owned subsidiaries that directly and indirectly own the investment deposits and loans for a consideration of HK$400 million, which was determined with reference to the total outstanding amount of those deposits and loans, together with the interest accrued on the loans up to 31st December, 2019. An expected credit loss on interest related to the short term secured loans amounting to HK$14.6 million was charged to the profit or loss in the current year. The transaction was approved by the independent shareholders of Cosmopolitan at its Extraordinary General Meeting held on 24th March, 2020. Completion of the transaction is expected by the end of March 2020.

(b) On 31st December, 2019, the Group entered into an agreement with an independent third party to dispose of 50% equity interests in the subsidiaries that own a hotel property in Hong Kong at a net consideration of HK$270.0 million, which was satisfied by cash of HK$60.0 million and a loan note of HK$210.0 million (before net assets adjustment of HK$0.4 million). After the disposal, the Group recognised its retained investment as an associate at fair value and a gain on disposal of HK$491.4 million.

11. Included in debtors, deposits and prepayments is an amount of HK$83.0 million (2018 – HK$145.3 million) representing the trade debtors of the Group. The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	2019	**2018**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**63.9**	123.9
4 to 6 months	**3.7**	3.7
7 to 12 months	**7.5**	5.5
Over 1 year	**16.1**	16.9
	91.2	150.0
Impairment	**(8.2)**	(4.7)
	83.0	145.3

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

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.

Also included in debtors, deposits and prepayments is an amount of HK$13.6 million (2018 – HK$0.8 million) in relation to the prepaid commission for sales of properties which is classified as contract costs in accordance with HKFRS 15.

12. Included in creditors and accruals is an amount of HK$53.9 million (2018 – HK$78.5 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2019	**2018**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**53.6**	78.2
4 to 6 months	**0.3**	0.2
7 to 12 months	**–**	0.1
	53.9	78.5

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31st December, 2019.

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2019, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31st December, 2019, 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.

BOARD OF DIRECTORS

As at the date of this announcement, the Board 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
Ms. Winnie NG, JP
Hon Abraham SHEK Lai Him, GBS, JP
Mr. WONG Chi Keung

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 26th March, 2020