



百利保控股有限公司

**Paliburg**  
Holdings Limited

(Incorporated in Bermuda with limited liability)  
(Stock Code : 617)



**2025**  
ANNUAL REPORT



# CONTENTS

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2	Corporate Information
3	Directors' Profile
6	Chairman's Statement
25	Management Discussion and Analysis
35	Report of the Directors
45	Corporate Governance Report
54	Financial Statements
54	Consolidated Statement of Profit or Loss
55	Consolidated Statement of Comprehensive Income
56	Consolidated Statement of Financial Position
58	Consolidated Statement of Changes in Equity
60	Consolidated Statement of Cash Flows
63	Notes to Financial Statements
179	Independent Auditor's Report
183	Schedule of Principal Properties
191	Published Five Year Financial Summary

# CORPORATE INFORMATION

## DIRECTORS

### *Executive Directors*

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Jimmy Lo Chun To

(Vice Chairman and Managing Director)

Kelvin Leung So Po

Lo Po Man

Kenneth Ng Kwai Kai

Kenneth Wong Po Man

### *Independent Non-Executive Directors*

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

## AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

## REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Winnie Ng, JP

## NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

## SECRETARY

Eliza Lam Sau Fun

## AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor under

the Accounting and Financial Reporting Council Ordinance

## PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited

The Bank of East Asia, Limited

China CITIC Bank International Limited

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

Chong Hing Bank Limited

Hang Seng Bank Limited

Hua Xia Bank Co., Limited, Hong Kong Branch

Industrial and Commercial Bank of China (Asia) Limited

Nanyang Commercial Bank, Limited

United Overseas Bank Limited, Hong Kong Branch

## PRINCIPAL REGISTRAR

Conyers Corporate Services (Bermuda) Limited

Clarendon House, 2 Church Street

Hamilton HM 11, Bermuda

## BRANCH REGISTRAR IN HONG KONG

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## REGISTERED OFFICE

Clarendon House, 2 Church Street

Hamilton HM 11, Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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**Mr. Lo Yuk Sui**, aged 81; *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 an executive director, the chairman and the chief executive officer of Century City International Holdings Limited (“CCIHL”), the ultimate listed holding company of the Company, 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 Ms. Lo Po Man.

**Mr. Lo Chun To (Alias: Jimmy)**, aged 52; *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. Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. Mr. Lo joined the Century City Group in 1998. He is primarily involved in overseeing the property projects of the Group and, in addition, undertakes responsibilities in the business development of the Century City Group. Mr. Lo is the son of Mr. Lo Yuk Sui and the brother of Ms. Lo Po Man.

**Mr. Leung Po Wing, Bowen Joseph, GBS, JP**, aged 76; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung is also an independent non-executive director of RPML. 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. He 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 So Po (Alias: Kelvin)**, aged 53; *Executive Director* — Appointed to the Board in 2023. Mr. Kelvin Leung is also an executive director of CCIHL and RHIHL and an executive director and the chief financial officer of Cosmopolitan. Mr. Leung has been with the Century City Group since 1997, and he is involved in the corporate finance function as well as in the China business division of the Century City Group. Mr. Leung holds a Bachelor’s Degree in Business Administration and a Master of Laws Degree in Chinese Business Law both from The Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants. Mr. Leung has over 30 years of experience in accounting and corporate finance field.

## DIRECTORS' PROFILE (Cont'd)

**Ms. Lo Po Man**, aged 46; *Executive Director* — Appointed to the Board in 2007. Ms. Lo is also an executive director and a vice chairman of CCIHL, an executive director, a vice chairman and the managing director of RHIHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. She joined the RHIHL Group in 2000. Ms. Lo graduated from Duke University with a Bachelor's Degree in Psychology and from The University of Hong Kong with a Master's Degree in Buddhist Studies. Ms. Lo serves as an Adjunct Professor teaching sustainable business management and impact investing at both The Hong Kong University of Science and Technology and The University of Hong Kong. She has been officially appointed as a Member of the HKSAR Chief Executive's Policy Unit Expert Group, a Member of the Green Technology and Finance Development Committee, and a Council Member of the Hong Kong University of Science and Technology. She also serves on the Advisory Committee on Mental Health, and the Advisory Committee at the School of Chinese Medicine at the University of Hong Kong. Her additional appointments include the Standing Committee on Values Education, the Hong Kong Academy for Wealth Legacy, and the position of Honorary President of the Hong Kong Federation of Women. She is appointed as Chair of the UNESCAP ESNB Finance Task Force and a member of the Executive Committee of ESNB, and serves as Chair of the Asia Pacific Green Deal for Business Committee. In her executive capacity, she primarily oversees the operation of the Group's hotel business while also managing corporate investments and business development of the Century City Group. She established the non-profit One Earth Institute to advance impact leadership and systemic innovations through One Earth Alliance and the annual One Earth Summit. Ms. Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

**Mr. Ng Kwai Kai (Alias: Kenneth)**, aged 71; *Executive Director* — Appointed to the Board in 1995. Mr. Kenneth 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. Mr. Ng 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.

**Ms. Winnie Ng, JP**, aged 62; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2018. Ms. Ng is also an independent non-executive director of CCIHL and RHIHL. Ms. Ng holds an MBA (Master of Business Administration) from University of Chicago and an MPA (Master of Public Administration) from Harvard University. Ms. Ng has received numerous awards and recognition. In 2019, she received the Outstanding Businesswomen Award and in 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award and China Top Ten Outstanding Women Entrepreneurs. In previous years, she received recognitions as a Woman of Excellence in Hong Kong, one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, Yazhou Zhoukan Young Chinese Entrepreneur Award and was Mason Fellow of Harvard University. Active in public service, Ms. Ng is Director of Po Leung Kuk, Director of CUHK Medical Centre, Director of HKBU Chinese Medicine Hospital, Council Member of The Education University of Hong Kong, Supervisor of The Hong Kong Eng Clansman Association Wu Si Chong Memorial School, Honorary Chairs of Board of Governors of Yee Hong Community Wellness Foundation, Advisor of Our Hong Kong Foundation, and Council Member of The Better Hong Kong Foundation. She was Member of Women's Commission and Co-Convenor of Women Empowerment Fund from 2020 to 2026, Chairman of Hospital Governing Committee of Prince of Wales Hospital from 2014 to 2020, Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, Member of Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016, Member of Employees Retraining Board and its Course Vetting Committee Convenor, and Member of Vocational Training Council from 2011 to 2017. Ms. Ng is also a non-executive director of Transport International Holdings Limited, and she was the founder, deputy chairman and a non-executive director of RoadShow Holdings Limited (now known as BlockFin Holdings Limited). Both companies are listed on The Stock Exchange of Hong Kong limited (the "Stock Exchange").

**Mr. Shek Lai Him, Abraham (Alias: Abraham Razack), GBS, JP, aged 80; Independent Non-Executive Director** — Invited to the Board as Independent Non-Executive Director in 2002. Mr. Abraham Shek is also an independent non-executive director of Cosmopolitan and RPML. Mr. Shek holds a Bachelor's Degree of Arts and a Juris Doctor Degree. Mr. Shek is an honorary member of the Court of The Hong Kong University of Science and Technology, a member of the Court of City University of Hong Kong and a member of the Court of Hong Kong Metropolitan University. Mr. Shek was a member of the Legislative Council of the Hong Kong Special Administrative Region. Mr. Shek is the honorary chairman, an independent non-executive director and the chairman of the audit committee of Chuang's China Investments Limited, an independent non-executive director and the chairman of the audit committee of Chuang's Consortium International Limited, the joint 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 CSI Properties Limited, Everbright Grand China Assets Limited, Far East Consortium International Limited, Hao Tian International Construction Investment Group Limited, Shin Hwa World Limited and CTF Services Limited, an independent non-executive director of Alliance International Education Leasing Holdings Limited and Lai Fung Holdings Limited, and the chairman and a non-executive director of JY Grandmark Holdings 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 71; Independent Non-Executive Director** — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and RHIHL. Mr. Wong holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Chartered Governance Institute and The Chartered Institute of Management Accountants. Mr. Wong is a responsible officer for asset management and advising on securities under the 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, Changyou International Group Limited, China Ting Group Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 43 years of experience in finance, accounting and management.

**Mr. Wong Po Man (Alias: Kenneth), aged 60; Executive Director** — Appointed to the Board in 2007. Mr. Kenneth Wong is also an executive director and the chief operating officer of Cosmopolitan. Mr. Wong 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 is a qualified architect and has been with the Group for over 34 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.

## CHAIRMAN'S STATEMENT



Dear shareholders,

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

### FINANCIAL RESULTS

For the year ended 31st December, 2025, the Group recorded a consolidated loss attributable to shareholders of HK\$1,157.9 million, as compared to the loss of HK\$1,643.4 million incurred in the preceding financial year.

As mentioned in the announcement of the Company on Update of Financial Information published on 25th March, 2026, the loss recorded for the year under review was primarily attributable to the finance costs incurred, the substantial depreciation charges on the Group's hotel properties in Hong Kong, despite they have no impact on the Group's cash flow, as well as the impairment loss on the properties held for sale in the development projects in China undertaken by Cosmopolitan International Holdings Limited, a listed subsidiary of the Company.

At present, the Group's principal businesses are mainly focused on properties and hotels in Hong Kong. Taking advantage of the gradual recovery of the residential market in Hong Kong during the year, the Group has achieved aggregate proceeds in excess of HK\$1,793.5 million from the sale of its residential properties. As regarding the Group's hotel businesses, which are primarily operated by Regal Hotels International Holdings Limited, also a listed subsidiary of the Company, they have continued to perform satisfactorily and contributed increased profits in 2025.

For the year under review, the Group's gross profit from business operations amounted to HK\$1,168.5 million (2024 – HK\$943.7 million). After accounting for mainly the impairment loss on properties held for sale in China as mentioned above, the fair value losses on investment properties as well as various administrative and property selling expenses, the Group recorded an operating loss before finance costs, depreciation and tax of HK\$160.3 million (2024 – HK\$376.4 million).

In order to conform to applicable accounting standards, the Group's hotel properties in Hong Kong are required to be subject to depreciation charges, as they are all owned and operated within the Group. Total depreciation charges on those 11 hotels for the year amounted to HK\$669.2 million (2024 – HK\$678.9 million), which though having no impact on cash flow, had nevertheless adversely affected the Group's financial results.

Based on their independent professional valuations as at 31st December, 2025, the aggregate market value of the Group's hotel properties in Hong Kong was still well above their total carrying value, as they were subject to accumulated depreciation charges. For the purpose of reference, an Adjusted Net Assets Statement is presented in the section headed "Management Discussion and Analysis" in this Annual Report, which illustrated that, if all such hotel properties were to be stated in the Group's financial statements at their market valuations as at 31st December, 2025, the Group's adjusted net assets would amount to HK\$13,533.0 million and the underlying adjusted net asset value of the Company would amount to HK\$12.14 per share on the basis therein stated.

## **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, 2025, the Group directly held, through its wholly owned subsidiaries, a controlling shareholding interest of approximately 69.3% in Regal. Regal, in turn, held approximately 74.9% of the outstanding units of Regal Real Estate Investment Trust, the listed subsidiary of Regal that presently owns five Regal Hotels and four iclub Hotels in Hong Kong. Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager of Regal REIT.

The Group's property development and investment businesses in Hong Kong are principally conducted through P&R Holdings Limited, a joint venture 50/50 held by each of Regal and the Company and, effectively, a subsidiary of the Group. Regal also undertakes on its own property business in Hong Kong and overseas.

Apart from its property business, P&R also holds an effective controlling shareholding interest in Cosmopolitan, which is primarily engaged in property development business in China and other investments. As at 31st December, 2025, P&R held 61.4% of the issued ordinary share capital of Cosmopolitan and, in addition, convertible preference shares as well as convertible notes of Cosmopolitan which are convertible into an aggregate of 972.1 million new ordinary shares of Cosmopolitan. Moreover, the Company and Regal also hold, through their respective wholly owned subsidiaries, ordinary shares and convertible notes of Cosmopolitan.

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

### PROPERTIES

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

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

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

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

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

Properties presently held by P&R for recurring income include the We Go MALL in Ma On Shan, Sha Tin, the iclub Mong Kok Hotel and the iclub AMTD Sheung Wan Hotel that is held by a 50%-owned joint venture of P&R.

On the property development front, P&R holds two commercial/residential development sites at Kam Wa Street in Shau Kei Wan and at Castle Peak Road in Sham Shui Po, respectively. The development works for these two development sites are planned to be commenced shortly. Moreover, P&R still owns 7 houses in Casa Regalia in Yuen Long, one of which has been sold pending completion, as well as some remaining shop units and carparks in The Ascent in Sham Shui Po, both of which were property developments completed by P&R in earlier years. These remaining completed properties will continue to be disposed of.

Additional information on the Group's property development projects and properties, including those undertaken by P&R and Regal as well as those projects in China undertaken through Cosmopolitan, 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, 2025, Regal recorded a consolidated loss attributable to shareholders of HK\$1,200.9 million, substantially reduced from the loss of HK\$2,597.8 million incurred in the preceding year.

The reduction in the loss reported by Regal for the year under review was primarily attributable to the fact that in the financial results for the preceding year, there was a fair value loss of HK\$946.1 million incurred on its investment holdings in Cosmopolitan, which had since been written down to a relatively insignificant value. Moreover, the enhanced performance of its hotel operations as well as the reduction in its finance costs, due to the softening of Hong Kong's interest rates, also contributed to the relatively improved results reported by Regal for the year under review.

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

Total depreciation charges on the Regal group's hotel properties in Hong Kong for the year under review amounted to HK\$575.2 million (2024 – HK\$582.8 million), which had likewise adversely affected its financial results.

**BUSINESS OVERVIEW****HOTELS****MARKET OVERVIEW**

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

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

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

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

### HOTEL OWNERSHIP

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

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

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

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

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

### REGAL REAL ESTATE INVESTMENT TRUST

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

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

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

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

The REIT Manager conducts regular holistic review of the properties owned by Regal REIT, having regard to their income generation capabilities, future capital requirements, prevailing market conditions as well as Regal REIT's overall portfolio strategy. Aligning with Regal REIT's objective of delivering long-term stable returns through disciplined capital management, asset recycling and selective reinvestments, Regal REIT has most recently entered into a legally binding preliminary agreement in March 2026 with an independent third party for the sale of its entire equity interests in an intermediate holding company of the company that directly holds the Regal Oriental Hotel in Kowloon City, based on an agreed property value of HK\$1,518.0 million for the hotel property. Shareholders can refer to the joint announcement published by the Company on 22nd March, 2026 for the full details of this sale transaction. Upon completion of this sale transaction, the Group expects to record an accounting gain, before tax and non-controlling interests, of approximately HK\$600.0 million which will be reflected in the results for the 2026 financial year.

### **HOTEL OPERATIONS**

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

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

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

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

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

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

Further details on the hotel properties owned within the Regal group are contained in the section headed "Management Discussion and Analysis" in this Annual Report.

## CHAIRMAN'S STATEMENT (Cont'd)

### HOTEL MANAGEMENT

The Regala Skycity Hotel as well as the five Regal Hotels and four iclub Hotels owned by Regal REIT are all managed by Regal Hotels International Limited (RHI), the wholly owned management arm of the Regal group. In addition, RHI is also the hotel manager managing the iclub Mong Kok Hotel and the iclub AMTD Sheung Wan Hotel that are owned 100% and 50%, respectively, by P&R.

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

### PROPERTIES

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

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

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

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

### AIRCRAFT OWNERSHIP AND LEASING

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

### COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the financial year ended 31st December, 2025, Cosmopolitan incurred a loss attributable to shareholders of HK\$453.1 million (2024 – loss of HK\$453.1 million).

The overall property market in China remained sluggish throughout 2025, particularly with respect to the commercial and retail segments. Under this continuing unfavourable market condition, the progress on the sale of the remaining commercial and retail components in the two composite development projects in Chengdu and Tianjin undertaken by the Cosmopolitan group was very slow. In addition, due to the depressed property values, impairment losses in an aggregate amount of approximately HK\$393.4 million on the properties held for sale in those two developments were incurred, which adversely affected its financial results for the year under review.

**BUSINESS OVERVIEW**

Amidst the complex changes in the domestic and global economic environments, the Gross Domestic Product of China in 2025 had increased by 5% over the previous year at constant prices. However, its real estate market continued to adjust, despite the series of fiscal and administrative measures rolled out by the Central Government to stabilise the market. While property prices have generally declined, the primary real estate sales in 2025 were projected to have dropped by more than 10% from the level in 2024.

With the formal issue of the Completion Certificate for the last four office towers and the shopping arcade blocks in May 2025, the development works at the composite project at Regal Cosmopolitan City in Chengdu have been fully completed.

Although the progress on the unit sales of the remaining commercial and retail components at Regal Cosmopolitan City was sluggish, the Cosmopolitan group has entered into an agreement in January 2026 for the sale of the hotel block within the development to a third party purchaser for hotel operations. This transaction is anticipated to be completed in the second quarter of this year and the net proceeds to be received will be used to reduce the Cosmopolitan group's indebtedness and to replenish its working capital.

The Cosmopolitan group's other development project in China is the Regal Renaissance in Tianjin. After the sale of the residential components and certain commercial units in prior years, the remaining components in this development being held for sale principally comprise a commercial complex and two office towers atop of a four-storey podium. Sale progress at this development has likewise been adversely affected by the worsening market conditions.

**OUTLOOK****REGAL GROUP**

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

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

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

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

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

## CHAIRMAN'S STATEMENT (Cont'd)

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

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

### COSMOPOLITAN GROUP

The Central Government has confirmed its commitment to stabilise the real estate market in China during this 15th Five-Year Plan period. In the meanwhile, it is expected that there would be increased demand for commercial properties from high-growth domestic enterprises, particularly those in the high technology and finance sectors.

The Cosmopolitan group will continue to closely monitor the changing market conditions to relaunch the sale programmes for its two development projects in Chengdu and Tianjin, either on unit sales or en bloc basis, with a view to generating revenues to strengthen its liquidity position.

In the meantime, the Cosmopolitan group is exploring suitable investment opportunities that could serve long-term development and sustainable growth of the Cosmopolitan group.

### PALIBURG GROUP

The Group owns through its various member companies a strong portfolio of quality assets, with properties and hotels in Hong Kong continuing to constitute the most significant components within the portfolio.

Aligning with the Group's overall strategic plan to reduce its indebtedness level and to generate capital for other useful deployment, different member companies have taken proactive steps to implement their asset disposal plans to achieve the set objective.

Despite the headwinds ahead due to the complex external political and economic environment, the Directors believe that the Group will be able to steer through the challenges and to regain growth in the coming years.

### DIRECTORS AND STAFF

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

### LO YUK SUI

Chairman

Hong Kong  
30th March, 2026

# MOUNT REGALIA

KAU TO • HONG KONG



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



Dining room of a garden house



Study room of a garden house

# CASA REGALIA / DOMUS

TAN KWAI TSUEN ROAD • HONG KONG



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



Exterior view of the garden houses at Casa Regalia



Living room of a garden house

# We Go MALL

MA ON SHAN • HONG KONG



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



Chinese restaurant - Dragon Terrace



Chinese restaurant - Dragon Inn

# THE QUEENS

QUEEN'S ROAD WEST • HONG KONG



Completed in August 2022



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



Sky Garden

\* Artist impression

# iclub MONG KOK HOTEL

MONG KOK • HONG KONG



Lobby



iBusiness Premier



iLounge



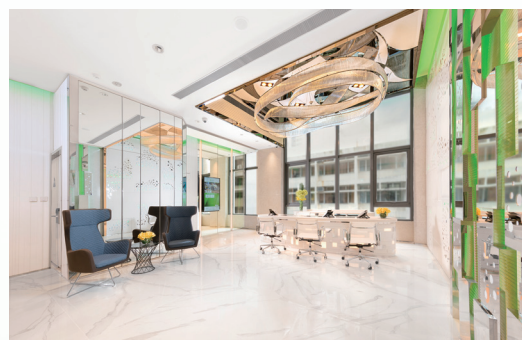
iclub Mong Kok Hotel at 2 Anchor Street, Mong Kok, Kowloon, Hong Kong

# iclub AMTD SHEUNG WAN HOTEL

SHEUNG WAN • HONG KONG



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



Lobby



iSuite Premier



iLounge

# REGALA SKYCITY HOTEL

CHEK LAP KOK • HONG KONG



Regala Suite



Regala Grand Ballroom



the Jade



Petra

# COMPOSITE DEVELOPMENT

CHENGDU • CHINESE MAINLAND



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



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

\* Artist impression

# COMPOSITE DEVELOPMENT

CHENGDU • CHINESE MAINLAND



Regal Cosmopolitan City - Hotel and commercial/office towers



Hotel and commercial/office towers



# COMPOSITE DEVELOPMENT

TIANJIN • CHINESE MAINLAND



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



Lobby of an office tower



Multi-functional room in an office tower

## 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 Hotels International Holdings Limited ("RHIHL"), the principal listed subsidiary of the Group, comprise hotel ownership business, which is principally undertaken through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("P&R"), aircraft ownership and leasing and other investment businesses.

Cosmopolitan International Holdings Limited ("Cosmopolitan") is a listed subsidiary of the Group held through P&R. The principal business activities of the Cosmopolitan group comprise property development and investment, which are mainly focused in the People's Republic of China (the "PRC"), and other investments including financial assets investments.

The performance of the Group's property, construction and building related and other investment businesses, and those of the principal businesses of RHIHL, Regal REIT and Cosmopolitan for the year, including the commentary on the business sectors in which the Group operates, the changes in the general market conditions and their potential impact on the Group's operating performance and future prospects, is contained in the preceding Chairman's Statement as well as in this section.

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

## P&R HOLDINGS LIMITED

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

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

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

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

All the units in the apartment block, named Domus, had been sold. The garden houses comprised within this development are named as Casa Regalia. Apart from 1 house that has been contracted to be sold pending completion, 6 houses in Casa Regalia are still being retained and will continue to be disposed of.

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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

This development has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. This shopping mall was opened for business in 2018 and is held for rental income.

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

This is a project undertaken pursuant to a tender award from the Urban Renewal Authority of Hong Kong in 2014. The land has a site area of 824.9 square metres (8,879 square feet) and has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement car parks. The project was completed in 2018. All the residential units as well as certain shops and car parks had already been disposed of. The remaining 2 shops and 5 car parks will continue to be sold.

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

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

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

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

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

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

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

The project has been developed into a 20-storey hotel, comprising 288 guestrooms with ancillary facilities, which commenced business in March 2019. The hotel is presently self-operated by P&R and managed by the RHIHL group.

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

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and has been developed into a hotel with 98 guestrooms and suites (total 162 room bays), with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 7,118 square metres (76,618 square feet).

Following its divesture of a 50% beneficial interest in December 2019, the property is presently 50% owned by P&R. This hotel was officially opened for business in November 2020 and has since been self-operated by the joint venture entity and managed by the RHHL group.

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

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

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

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

Certain parts of the existing properties at Nos.301-303 Castle Peak Road are presently classified as a Grade 2 Historic Building. A conservation proposal in conjunction with the proposed development is being discussed with the relevant government authorities, which would involve conserving the verandah portion of historical heritage within the new development, thus preserving its unique iconic image in the vicinity. Demolition works for the existing buildings at Nos.291-293 Castle Peak Road had been completed. Demolition works for the existing buildings at Nos.301-303 Castle Peak Road are in progress. Further development works for this development site are also planned to be commenced shortly.

### **REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED**

RHHL is a listed subsidiary of the Company. Further information relating to the property projects undertaken and the principal properties owned by RHHL group (other than those owned by Regal REIT), which are all wholly owned by RHHL, is set out below:

#### **Hong Kong**

*Regala Skycity Hotel, the Hong Kong International Airport*

In February 2017, a wholly owned subsidiary of RHHL secured the award from the Airport Authority in Hong Kong of the development right for this new hotel project at the Hong Kong International Airport.

The hotel project has a site area of approximately 6,650 square metres (71,580 square feet) and permissible gross floor area of 33,700 square metres (362,750 square feet). The hotel has 13 storeys (including one basement floor) with a total of 1,208 guestrooms and suites, complemented with extensive banquet, meeting and food and beverage facilities. It has direct linkage to the Asia World Expo, the 11 Skies compound as well as the expanded Terminal 2 of the Hong Kong International Airport scheduled to become operational in May 2026. The hotel licence was issued in November 2021 and the hotel grand opened in April 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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

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

The project has a combined site area of 682 square metres (7,342 square feet) and has been developed into a commercial/residential building with gross floor area of about 5,826 square metres (62,711 square feet). The building has a total of 130 residential units with club house facilities on the second floor, a landscape garden on the third floor and commercial accommodations on the ground and first floors. The occupation permit was obtained in August 2022.

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

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

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

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

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

## Overseas

### *Campus La Mola, Barcelona, Spain*

This hotel property has a total of 186 guestrooms and was acquired by the RHIHL group in 2014. The hotel is presently under lease to an independent third party, which is generating steady rental income.

### *41 Kingsway, London WC2B 6TP, the United Kingdom*

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

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

### *Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal*

This is a rehabilitation and renovation project for a historical building located in a heritage conservation area of Lisbon, acquired in 2019 by an entity that is now wholly owned by the RHIHL group. This building has a total gross floor area of about 1,836 square metres (19,768 square feet), comprising residential apartments as well as shops on ground floor. The renovation works had been completed and the relevant usage permits were obtained in August 2024.

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

### **COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED**

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

#### **Property Development**

##### *Chengdu Project – Regal Cosmopolitan City*

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

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

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

The remaining commercial components of the final stage of the development, comprise a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet). With the formal issue of the Completion Certificate for the last four office towers and the shopping arcade blocks, all the development works for the entire project have virtually been completed.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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

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

### *Tianjin Project – Regal Renaissance*

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

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

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

### *Xinjiang Project*

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

The Cosmopolitan group continues to maintain the overall re-forested area. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan group in the relevant re-forestation contract remain valid and effective.

## 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's residential project at Domus and Casa Regalia as well as its other hotel projects in Hong Kong, namely, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel, iclub To Kwa Wan Hotel and iclub Mong Kok Hotel, all completed in the years between 2014 and 2019. Chatwin was also responsible for the construction management of the Mount Regalia project and the Regala Skycity Hotel project completed in 2019 and 2021 respectively. Chatwin will continue to seek public construction contracts while providing in-house services to the Group's construction projects including construction management, health and safety as well as quality assurance and compliance.

With its extensive experience and professional expertise, the Group's development consultancy division played a key role, throughout the years, in supporting the in-house needs of the Group's member companies on development projects, from project inception stage, feasibility studies to project completion. These professional services include development appraisal, project management, architectural, interior design as well as quality control and cost engineering.

## FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, private equities, bonds as well as treasury and yield enhancement products.

## FINANCIAL REVIEW

### ASSETS VALUE

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 To Kwa Wan Hotel, were stated in the financial statements at their fair values as at 7th May, 2012 when RHIHL, together with Regal REIT, became subsidiaries of the Group, plus subsequent capital additions and deducting accumulated depreciation. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan 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 to Regal REIT, while the iclub Mong Kok Hotel owned by P&R and the Regala Skycity Hotel owned by the RHIHL group, completed in 2019 and 2021 respectively, are stated at cost, and they are all also subject to depreciation. For the purpose of providing supplementary information, if the entire hotel property portfolio of the Group in Hong Kong is restated in the consolidated financial statements at market value as at 31st December, 2025, the Group's unaudited adjusted net asset and the unaudited adjusted net asset value per ordinary share of the Company would be HK\$13,533.0 million and HK\$12.14 per share, respectively, computed as follows:

	<b>As at 31st December, 2025</b>	
	<b>HK\$'million</b>	<b>HK\$ per ordinary share</b>
Book net assets attributable to equity holders of the parent	<b>7,424.7</b>	<b>6.66</b>
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back any relevant deferred tax liabilities	<b>6,108.3</b>	<b>5.48</b>
Unaudited adjusted net assets attributable to equity holders of the parent	<b>13,533.0</b>	<b>12.14</b>

### 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 in Hong Kong 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 substantially financed by internal resources and proceeds from the presale of the units. Project financings for the projects in the PRC and overseas may be arranged, if terms are considered appropriate, to cover a part of the land costs and/or construction costs, and with the loan maturities aligning with the estimated project completion dates and/or sales forecast.

The Group's banking facilities are mostly denominated in Hong Kong dollars with interest primarily determined by reference to the interbank offered rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As regards the Group's investments in the PRC and overseas, which are denominated in currencies other than US dollars and Hong Kong dollars, the Group may consider, when deemed appropriate, hedging part or all of the investment amounts into US dollars or Hong Kong dollars to contain the Group's exposure to currency fluctuations.

#### Cash Flows

Net cash flows generated from operating activities during the year under review amounted to HK\$2,026.7 million (2024 - HK\$362.6 million). Net interest payment for the year amounted to HK\$889.8 million (2024 - HK\$1,136.8 million).

#### Borrowings and Gearing

As at 31st December, 2025, the Group had cash and bank balances and deposits of HK\$947.1 million (2024 - HK\$1,404.2 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$16,679.5 million (2024 - HK\$18,332.2 million).

As at 31st December, 2025, the gearing ratio of the Group was 51.4% (2024 - 50.8%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK\$16,679.5 million (2024 - HK\$18,332.2 million), as compared to the total assets of the Group of HK\$32,461.5 million (2024 - HK\$36,120.8 million).

On the basis of the adjusted total assets as at 31st December, 2025 of HK\$43,446.5 million (2024 - HK\$47,108.3 million) with the hotel portfolio owned by the Group in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 38.4% (2024 - 38.9%).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2025 are shown in notes 30 and 31 to the financial statements.

### Lease Liabilities

As at 31st December, 2025, the Group had lease liabilities of HK\$164.5 million (2024 - HK\$10.8 million).

### Pledge of Assets

As at 31st December, 2025, the Group's properties under development and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$26,847.7 million were pledged to secure general banking facilities and other loan facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, the equity interests in the relevant holding companies of certain property interests and financial assets at fair value through profit or loss as well as other assets were also pledged to secure certain bank and other borrowings of the Group.

As at 31st December, 2024, 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\$29,144.6 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, 2024, certain ordinary shares in a listed subsidiary with a market value of HK\$220.3 million were also pledged to secure general banking facilities granted to the Group. The equity interests in the relevant holding companies of certain property development projects were also pledged to secure the other borrowings of the Group.

### Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2025 are shown in note 42 to the financial statements.

### Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2025 are shown in note 41 to the financial statements.

### Share Capital

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

### MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

#### Disposal of a Property Holding Company

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

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

The Disposal constituted a major transaction for the Company under Chapter 14 of the Listing Rules and was subject to the reporting, announcement, circular and shareholders' approval requirements. As an ordinary resolution to approve the Disposal was duly passed at the special general meeting of Century City held on 22nd September, 2025, the written shareholders' approval of the Disposal from a closely allied group of shareholders of the Company in aggregate holding approximately 59.9% of the issued share capital of the Company pursuant to Rule 14.44 of the Listing Rules has become effective. The Disposal was completed on 29th September, 2025 and Waterman House Investments was ceased to be a subsidiary of RHIHL. Further details relating to the Disposal were disclosed in the joint announcements of the Company dated 29th July, 2025, 22nd September, 2025 and 29th September, 2025, and the circular of the Company dated 2nd September, 2025.

Relevant details relating to the Disposal are disclosed in note 38(c) to the financial statements.

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

### STAFF AND REMUNERATION POLICY

The Group employs approximately 1,680 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

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

### PRINCIPAL ACTIVITIES

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

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

### FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2025 and the Group's financial position at that date are set out in the financial statements on pages 54 to 178.

### BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622) of Hong Kong, including a description of the principal risks and uncertainties facing the Group, material events that have occurred since the year end date and an indication of likely future development in the Group's business are contained in the preceding Chairman's Statement and Management Discussion and Analysis set out on pages 6 to 14 and pages 25 to 34, respectively, of this Annual Report. These discussions form part of this Report of the Directors. Details of the Group's financial risk management are disclosed in note 45 to the financial statements.

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

### DIVIDENDS

No interim dividend was paid to the holders of ordinary shares during the year (2024 - Nil).

The Directors have resolved not to recommend the payment of a final dividend to holders of ordinary shares for the year ended 31st December, 2025 (2024 - Nil).

## REPORT OF THE DIRECTORS (Cont'd)

### ANNUAL GENERAL MEETING

The 2026 Annual General Meeting of the Company will be convened to be held on Wednesday, 10th June, 2026. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the "Circular") to be sent to the shareholders, together with this Annual Report.

### CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the 2026 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Friday, 5th June, 2026 to Wednesday, 10th June, 2026, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to be entitled to attend and vote at the 2026 Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, no later than 4:30 p.m. on Thursday, 4th June, 2026.

### DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui  
Mr. Jimmy Lo Chun To  
Mr. Bowen Joseph Leung Po Wing, GBS, JP  
Mr. Kelvin Leung So Po  
Ms. Lo Po Man  
Mr. Kenneth Ng Kwai Kai  
Ms. Winnie Ng, JP  
Mr. 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, the following Directors will retire from office by rotation at the 2026 Annual General Meeting:

- (i) Mr. Lo Yuk Sui (Executive Director, Chairman and Chief Executive Officer);
- (ii) Mr. Kelvin Leung So Po (Executive Director);
- (iii) Mr. Kenneth Ng Kwai Kai (Executive Director); and
- (iv) Mr. Abraham Shek Lai Him (Independent Non-Executive Director).

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2026 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), will be set out in the Circular.

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

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as otherwise disclosed, none of the Directors of the Company nor a connected entity of the Directors had any beneficial interests, whether direct or indirect, in any significant transactions, arrangements or contracts to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party at the end of the reporting period or at any time during the year.

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

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement whose objects are to enable a Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **PERMITTED INDEMNITY PROVISION**

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. The Company has taken out and maintained directors' liability insurance that provides appropriate cover for the Directors.

## REPORT OF THE DIRECTORS (Cont'd)

### DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2025, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules, were as follows:

The Company/ Name of associated corporation	Name of Director	Class of shares held	Personal interests	Number of shares held			Total (Approximate percentage of the issued shares as at 31st December, 2025)
				Corporate interests	Family/Other interests		
1. The Company	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)	
	Mr. Kelvin Leung So Po	Ordinary (issued)	50,185	–	–	50,185 (0.005%)	
	Ms. 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. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)	
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	111,815,396	2,032,315,326 (Note a)	380,683	2,144,511,405 (69.34%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)	
	Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	–	–	4,000 (0.000%)	
	Ms. Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)	
	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			Total (Approximate percentage of the issued shares as at 31st December, 2025)
				Personal interests	Corporate interests	Family/Other interests	
3.	RHIHL	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	200	–	–	200 (0.000%)
		Ms. Lo Po Man	Ordinary (issued)	569,169	–	–	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)	–	1,171,504,279 (Note d)	–	1,171,504,279
			(ii) (unissued)	–	1,291,775,147 (Note e)	–	1,291,775,147
							Total: 2,463,279,426 (150.23%)
			Preference (issued)	–	229,548,733 (Note e)	–	229,548,733 (99.99%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	680,730	–	–	680,730 (0.04%)
		Ms. Lo Po Man	Ordinary (issued)	414,000	–	–	414,000 (0.03%)
5.	Regal REIT	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note f)	–	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note g)	–	1,000 (100%)

**Notes:**

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

## REPORT OF THE DIRECTORS (Cont'd)

- (b) The interests in 694,124,547 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 67.43% shareholding interests.

The interests in 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 67.43% shareholding interests. The interests in 622,433,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 62.28% shareholding interests. The Company held 69.25% shareholding interests in RHIHL.

- (d) The interests in 1,006,851,215 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings Limited ("P&R"), which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The interests in the other 111,319,732 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of RHIHL. The interests in the other 53,333,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 67.43% shareholding interests in CCIHL.

- (e) The interests in 972,070,219 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R, which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The interests in the other 213,038,264 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of RHIHL. The interests in the other 106,666,664 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 67.43% shareholding interests in CCIHL.

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

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

- (f) The interests in 2,439,613,739 issued units of Regal REIT were held through wholly owned subsidiaries of 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. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 67.43% shareholding interests in CCIHL.
- (g) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 67.43% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 31st December, 2025, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2025, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 31st December, 2025
YSL Int'l (Note i)	694,124,547	–	694,124,547	62.28%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	694,124,547	–	694,124,547	62.28%
CCIHL (Note iii)	694,124,547	–	694,124,547	62.28%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	694,124,547	–	694,124,547	62.28%
Almighty International Limited ("Almighty") (Note iv)	346,994,526	–	346,994,526	31.13%
Cleverview Investments Limited ("Cleverview") (Note iv)	180,811,470	–	180,811,470	16.22%

**Notes:**

- (i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.
- (iii) CCIHL is owned as to 52.72% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.
- (iv) 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, 2025, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

## REPORT OF THE DIRECTORS (Cont'd)

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

- (1) Mr. Lo Yuk Sui is a director of YSL Int'l.
- (2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Ms. Lo Po Man are directors of Grand Modern.
- (3) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Mr. Kelvin Leung So Po, Ms. Lo Po Man, Mr. Kenneth Ng Kwai Kai, Ms. Winnie Ng and Mr. Wong Chi Keung are directors of CCIHL.
- (4) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Mr. Kelvin Leung So Po, Ms. 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, 2025 is set out below:

Name of Director	Details of changes
<i>Executive Director:</i>	
Mr. Kelvin Leung So Po	<ul style="list-style-type: none"><li>• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK\$210,330 commencing from March 2026. (Note (i))</li></ul>
<i>Independent Non-Executive Directors:</i>	
Mr. Abraham Shek Lai Him, GBS, JP	<ul style="list-style-type: none"><li>• Resigned as an independent non-executive director of China Resources Building Materials Technology Holdings Limited, a company listed on the Stock Exchange, with effect from 24th October, 2025.</li></ul>
Mr. Leung Po Wing, Bowen Joseph, GBS, JP	<ul style="list-style-type: none"><li>• Resigned as an independent non-executive director of Quali-Smart Holdings Limited, a company listed on the Stock Exchange, with effect from 30th January, 2026.</li></ul>

#### Note:

- (i) Executive Director is also entitled to a performance based discretionary bonus and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK\$150,000 per annum in acting as a Director of the Company. Details of the remuneration of the Executive Directors for the year ended 31st December, 2025 are disclosed in note 8 to the financial statements.

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company (including sale of treasury shares) during the year. The Company did not hold any treasury shares as at 31st December, 2025.

**SUFFICIENCY OF PUBLIC FLOAT**

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

**PRE-EMPTIVE RIGHTS**

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

**MAJOR CUSTOMERS AND SUPPLIERS**

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

**BORROWINGS**

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

**SHARE CAPITAL**

The details of the share capital of the Company are set out in note 34 to the financial statements.

**SHARE PREMIUM ACCOUNT**

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

**SUBSIDIARIES**

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

**ASSOCIATES**

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

## REPORT OF THE DIRECTORS (Cont'd)

### DISTRIBUTABLE RESERVES

As at 31st December, 2025, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$1,738.4 million.

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

No finance cost was 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 in note 47 to the financial statements.

### AUDITOR

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

### SUSTAINABILITY REPORT

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

On behalf of the Board

**LO YUK SUI**

Chairman

Hong Kong  
30th March, 2026

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2025.

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

### (I) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31st December, 2025, except that:

- The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity to cater to the Group's corporate operating structure.

### (II) BOARD OF DIRECTORS

The Board currently comprises the following members:

*Executive Directors:*

Mr. Lo Yuk Sui (*Chairman and Chief Executive Officer*)  
Mr. Jimmy Lo Chun To (*Vice Chairman and Managing Director*)  
Mr. Kelvin Leung So Po  
Ms. 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  
Mr. Abraham Shek Lai Him, GBS, JP  
Mr. Wong Chi Keung

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

During the year ended 31st December, 2025, the Company has fully complied with Rules 3.10 and 3.10A of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

## CORPORATE GOVERNANCE REPORT (Cont'd)

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

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

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

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

Name of Directors	Attendance	
	Board Meetings	General Meeting
<i>Executive Directors</i>		
Mr. Lo Yuk Sui ( <i>Chairman and Chief Executive Officer</i> )	19/19	1/1
Mr. Jimmy Lo Chun To ( <i>Vice Chairman and Managing Director</i> )	19/19	1/1
Mr. Kelvin Leung So Po	19/19	1/1
Ms. Lo Po Man	19/19	1/1
Mr. Kenneth Ng Kwai Kai	19/19	1/1
Mr. Kenneth Wong Po Man	19/19	1/1
<i>Independent Non-Executive Directors</i>		
Mr. Bowen Joseph Leung Po Wing, GBS, JP	19/19	1/1
Ms. Winnie Ng, JP	19/19	1/1
Mr. Abraham Shek Lai Him, GBS, JP	19/19	1/1
Mr. Wong Chi Keung	19/19	1/1

The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary. In addition, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In year 2025, the Company arranged for Directors reading materials covering topics relating to directors' responsibilities in business and financial reporting, and directors' duties and roles in corporate governance and internal control, for listed companies. The training received by the Directors during year 2025 is summarised below:

<b>Name of Directors</b>	<b>Types of training</b>
<i>Executive Directors</i>	
Mr. Lo Yuk Sui ( <i>Chairman and Chief Executive Officer</i> )	B
Mr. Jimmy Lo Chun To ( <i>Vice Chairman and Managing Director</i> )	B
Mr. Kelvin Leung So Po	A, B
Ms. Lo Po Man	B
Mr. Kenneth Ng Kwai Kai	A, B
Mr. Kenneth Wong Po Man	A, B
<i>Independent Non-Executive Directors</i>	
Mr. Bowen Joseph Leung Po Wing, GBS, JP	A, B
Ms. Winnie Ng, JP	A, B
Mr. 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 different functions delegated by the Board.

#### (a) Audit Committee

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

The Audit Committee currently comprises the following members:

*Independent Non-Executive Directors:*

Mr. Wong Chi Keung (*Chairman of the Committee*)  
Mr. Bowen Joseph Leung Po Wing, GBS, JP (*Member*)  
Ms. Winnie Ng, JP (*Member*)  
Mr. 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 annual financial statements.

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

In year 2025, the Audit Committee met twice and the meetings were attended by the external Auditor of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

<b>Name of Audit Committee members</b>	<b>Attendance</b>
Mr. Wong Chi Keung ( <i>Chairman of the Committee</i> )	2/2
Mr. Bowen Joseph Leung Po Wing, GBS, JP	2/2
Ms. Winnie Ng, JP	2/2
Mr. 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*)

Ms. Winnie Ng, JP (*Member*)

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

In year 2025, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. The attendance rates of individual Remuneration Committee members of the Company were as follows:

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

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

The remuneration of the senior management (comprising Executive Directors) of the Company for the year ended 31st December, 2025 by band is set out below:

<b>Remuneration band</b>	<b>Number of individuals</b>
HK\$2,500,001 – 3,000,000	2
Within bands from HK\$3,000,001 – 4,500,000	1
Within bands from HK\$4,500,001 – 6,000,000	0
HK\$6,000,001 – 6,500,000	2
Within bands from HK\$6,500,001 – 16,500,000	1

Further details of the Executive Directors' remuneration for the year ended 31st December, 2025 are disclosed in note 8 to the financial statements contained in this Annual Report.

### (c) Nomination Committee

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

The Nomination Committee currently comprises the following members:

*Executive Director:*

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

*Independent Non-Executive Directors:*

Mr. Bowen Joseph Leung Po Wing, GBS, JP (*Member*)

Ms. Winnie Ng, JP (*Member*)

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

In year 2025, the Nomination Committee met once to review and assess the overall diversity of the composition of the Board with reference to the various aspects as set out in the Board Diversity Policy. The Nomination Committee also considered the biographical details and other related particulars of those Executive and Independent Non-Executive Directors of the Company, who retired, and offered themselves for re-election at the annual general meeting of the Company held in June 2025 in accordance with the Bye-laws of the Company (the "then Retiring Directors"), with reference to the Board Diversity Policy and their contributions to the Board and the Group during their tenure. The particulars of the then Retiring Directors were disclosed in the Company's annual report for the year 2024 and its circular to the shareholders accompanying the 2024 annual report. The then Retiring Directors had extensive experience and knowledge in their respective professional and commercial fields, who could contribute valuable advice on the business and development of the Group and can also conform with the diversity policy of the Board. The then Retiring Directors were re-elected as Directors by the Company's shareholders at its 2025 annual general meeting. The attendance rates of individual Nomination Committee members of the Company were as follows:

<b>Name of Nomination Committee members</b>	<b>Attendance</b>
Mr. Lo Yuk Sui ( <i>Chairman of the Committee</i> )	1/1
Mr. Bowen Leung Po Wing, GBS, JP	1/1
Ms. Winnie Ng, JP	1/1
Mr. 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, financial reporting and internal audit functions, with staff members possessing appropriate qualifications and experience engaged in the discharge of those relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis. The overall budgets allocated to those functions have been reviewed and considered to be adequate.

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

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

**(V) DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the "Code for Securities Transactions by Directors of 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 C3 of the Listing Rules (the "Model Code"), as the code of conduct governing the securities transactions by the Directors of the Company.

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Paliburg Code during the year ended 31st December, 2025.

**(VI) RISK MANAGEMENT AND INTERNAL CONTROL**

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

Management of the Company has put into effect a set of corporate policies and procedures for the principal business operations of the Group, with an objective to achieving sound and effective risk management and internal control systems. Separate meetings participated by Executive Directors, Group Financial Controller and related division heads are held regularly to review the effectiveness of the risk management and internal control systems, to identify any significant management and operational risks as well as control failings or weaknesses, and also to review the need for any control improvements or updating to respond to changes in the business and external environment. While the regular monitoring of the risk management and internal control mechanisms is mainly conducted by the delegated Executive Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

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

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

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

### (VII) AUDITOR'S REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditor of the Company at the 2025 Annual General Meeting until the conclusion of the forthcoming 2026 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditor of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2025 were HK\$10.0 million (2024 - HK\$10.5 million) and HK\$3.1 million (2024 - HK\$3.0 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, 2025	2.3
(2) Compliance and other services to the Group	0.8

### (VIII) SHAREHOLDERS' RIGHT

Special general meetings may be convened upon receipt of written request submitted by any shareholder(s) of the Company holding not less than one-tenth of the share capital of the Company carrying the right of voting at general meetings of the Company. Such written requisition must state the purposes of the meeting, and be signed by the requisitioner(s) and deposited at the Head Office of the Company at 20th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong (for the attention of the Company Secretary).

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

During the year ended 31st December, 2025, the Company has not made any changes to its Bye-laws. A consolidated version of the Memorandum of Association and Amended and Restated Bye-laws of the Company is available on the website of the Company.

**(IX) DIVIDEND POLICY**

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

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

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

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

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2025

	Notes	2025 HK\$'million	2024 HK\$'million
REVENUE	5	3,792.6	2,731.0
Cost of sales		(2,624.1)	(1,787.3)
Gross profit		1,168.5	943.7
Other income and gains, net	5	33.7	221.2
Fair value losses on investment properties, net	14	(238.7)	(319.4)
Fair value losses on financial assets at fair value through profit or loss, net	6	(5.5)	(146.2)
Impairment loss on items of property, plant and equipment		–	(37.9)
Impairment loss on properties under development		(6.4)	(228.2)
Impairment loss on properties held for sale		(428.5)	(212.4)
Impairment loss on other receivables		(0.3)	(100.1)
Impairment loss on investments in associates		(0.2)	(0.8)
Loss on re-measurement of finance lease		(17.7)	–
Property selling and marketing expenses		(256.1)	(82.4)
Administrative expenses		(409.1)	(413.9)
OPERATING LOSS BEFORE DEPRECIATION		(160.3)	(376.4)
Depreciation		(693.2)	(710.4)
OPERATING LOSS		(853.5)	(1,086.8)
Finance costs	7	(964.5)	(1,265.2)
Share of profits and losses of associates		36.2	(16.1)
LOSS BEFORE TAX	6	(1,781.8)	(2,368.1)
Income tax	10	10.5	(73.2)
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		(1,771.3)	(2,441.3)
Attributable to:			
Equity holders of the parent		(1,157.9)	(1,643.4)
Non-controlling interests		(613.4)	(797.9)
		(1,771.3)	(2,441.3)
LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		HK\$(1.11)	HK\$(1.55)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2025

	2025 HK\$'million	2024 HK\$'million
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(1,771.3)	(2,441.3)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Changes in fair value of cash flow hedges	(51.4)	12.6
Transfer from hedging reserve to profit or loss	14.6	(10.9)
	(36.8)	1.7
Exchange differences on translating foreign operations	120.7	(82.1)
Share of other comprehensive loss of an associate	–	(0.1)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	83.9	(80.5)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets designated at fair value through other comprehensive income	(0.8)	0.8
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	83.1	(79.7)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(1,688.2)</u>	<u>(2,521.0)</u>
Attributable to:		
Equity holders of the parent	(1,098.5)	(1,695.8)
Non-controlling interests	(589.7)	(825.2)
	<u>(1,688.2)</u>	<u>(2,521.0)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2025

	Notes	2025 HK\$'million	2024 HK\$'million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	5,217.0	5,714.4
Investment properties	14	3,098.1	3,425.3
Right-of-use assets	15	14,850.5	15,031.9
Properties under development	16	885.9	870.2
Investments in associates	17	286.3	280.3
Financial assets designated at fair value through other comprehensive income	18	4.0	4.8
Financial assets at fair value through profit or loss	19	292.3	425.3
Derivative financial instruments	32	–	9.9
Loans receivable	20	114.8	155.2
Finance lease receivable		–	96.0
Debtors, deposits and prepayments	26	190.3	218.3
Deferred tax assets	33	47.7	47.6
Trademark	22	610.2	610.2
Other intangible assets	23	3.6	3.6
Total non-current assets		<b>25,600.7</b>	26,893.0
<b>CURRENT ASSETS</b>			
Properties under development	16	655.6	1,868.9
Properties held for sale	24	4,759.9	5,211.4
Inventories	25	47.4	56.8
Loans receivable	20	42.3	34.0
Finance lease receivable		–	5.7
Debtors, deposits and prepayments	26	361.8	564.3
Financial assets at fair value through profit or loss	19	17.5	67.9
Derivative financial instruments	32	–	0.3
Tax recoverable		29.2	14.3
Restricted cash	27	332.1	433.8
Pledged time deposits and bank balances		295.2	293.2
Time deposits		18.0	47.4
Cash and bank balances		301.8	629.8
Total current assets		<b>6,860.8</b>	9,227.8

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 31st December, 2025

	Notes	2025 HK\$'million	2024 HK\$'million
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	28	(697.9)	(766.8)
Contract liabilities	29	(158.2)	(166.0)
Lease liabilities	15	(11.3)	(7.9)
Deposits received		(122.7)	(133.4)
Interest bearing bank borrowings	30	(5,768.0)	(5,976.4)
Other borrowings	31	(400.0)	(229.0)
Derivative financial instruments	32	(1.0)	–
Tax payable		(435.9)	(417.6)
Total current liabilities		<u>(7,595.0)</u>	<u>(7,697.1)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(734.2)</u>	<u>1,530.7</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,866.5</u>	<u>28,423.7</u>
<b>NON-CURRENT LIABILITIES</b>			
Deposits received		(17.8)	(24.7)
Lease liabilities	15	(153.2)	(2.9)
Interest bearing bank borrowings	30	(11,458.6)	(13,219.0)
Other borrowing	31	–	(312.0)
Derivative financial instruments	32	(49.2)	(0.7)
Deferred tax liabilities	33	(1,326.3)	(1,384.6)
Total non-current liabilities		<u>(13,005.1)</u>	<u>(14,943.9)</u>
Net assets		<u>11,861.4</u>	<u>13,479.8</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	34	111.4	111.4
Reserves	35	7,313.3	8,373.5
		<u>7,424.7</u>	<u>8,484.9</u>
<b>Perpetual securities</b>	36	1,732.9	1,732.9
<b>Non-controlling interests</b>		<u>2,703.8</u>	<u>3,262.0</u>
Total equity		<u>11,861.4</u>	<u>13,479.8</u>

**KENNETH NG KWAI KAI**  
Director

**LO YUK SUI**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2025

	Attributable to equity holders of the parent										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	Hedging reserve HK\$'m	Fair value reserve of financial assets through other comprehensive income HK\$'m	Property revaluation reserve HK\$'m	Exchange equalisation reserve HK\$'m	Retained profits HK\$'m			Total HK\$'m	Perpetual securities HK\$'m
At 1st January, 2024	111.4	1,356.1	4.3	3,109.8	689.6	-	(752.3)	7.0	(139.9)	5,882.6	10,288.6	1,732.9	4,129.2	16,130.7
Loss for the year	-	-	-	-	-	-	-	-	-	(1,643.4)	(1,643.4)	-	(797.9)	(2,441.3)
Other comprehensive income/(loss) for the year:														
Changes in fair value of financial assets designated at fair value through other comprehensive income	-	-	-	-	-	0.3	-	-	-	-	0.3	-	0.5	0.8
Cash flow hedges	-	-	-	-	-	0.9	-	-	-	-	0.9	-	0.8	1.7
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	(53.5)	-	(53.5)	-	(28.6)	(82.1)
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	-	(0.1)	-	(0.1)	-	-	(0.1)
Total comprehensive income/(loss) for the year	-	-	-	-	-	0.9	0.3	-	(53.6)	(1,643.4)	(1,695.8)	-	(825.2)	(2,521.0)
Acquisition of non-controlling interests in a listed subsidiary	-	-	-	(8.9)	-	-	-	-	-	-	(8.9)	-	(6.9)	(15.8)
Transfer of fair value reserve upon the disposal of financial assets designated at fair value through other comprehensive income	-	-	-	-	-	-	544.5	-	-	(544.5)	-	-	-	-
Distribution to holders of perpetual securities	-	-	-	-	-	-	-	-	-	(79.0)	(79.0)	-	(35.1)	(114.1)
At 31st December, 2024	111.4	1,356.1	4.3	3,100.9	689.6	0.9	(207.5)	7.0	(193.5)	3,615.7	8,484.9	1,732.9	3,262.0	13,479.8

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

For the year ended 31st December, 2025

	Attributable to equity holders of the parent													
	Issued capital HK\$'m	Share premium account HK\$'m	Capital redemption reserve HK\$'m	Capital reserve HK\$'m	Special reserve HK\$'m	Hedging reserve HK\$'m	Fair value reserve of financial assets at fair value through other comprehensive income HK\$'m	Property revaluation reserve HK\$'m	Exchange equalisation reserve HK\$'m	Retained profits HK\$'m	Total HK\$'m	Perpetual securities HK\$'m	Non-controlling interests HK\$'m	Total equity HK\$'m
At 1st January, 2025	111.4	1,356.1	4.3	3,100.9	689.6	0.9	(207.5)	7.0	(193.5)	3,615.7	8,484.9	1,732.9	3,262.0	13,479.8
Loss for the year	-	-	-	-	-	-	-	-	-	(1,157.9)	(1,157.9)	-	(613.4)	(1,771.3)
Other comprehensive income/(loss) for the year:														
Changes in fair value of financial assets designated at fair value through other comprehensive income	-	-	-	-	-	(0.5)	-	-	-	-	(0.5)	-	(0.3)	(0.8)
Cash flow hedges	-	-	-	-	-	(19.1)	-	-	-	-	(19.1)	-	(17.7)	(36.8)
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	79.0	-	79.0	-	41.7	120.7
Total comprehensive income/(loss) for the year	-	-	-	-	-	(19.1)	(0.5)	-	79.0	(1,157.9)	(1,088.5)	-	(589.7)	(1,688.2)
Acquisition of non-controlling interests in a listed subsidiary	-	-	-	25.2	-	-	-	-	-	-	25.2	-	(25.2)	-
Deemed disposal of interests in a listed subsidiary	-	-	-	(21.2)	-	-	-	-	-	-	(21.2)	-	31.6	10.4
Deemed disposal of interests in a subsidiary	-	-	-	34.3	-	-	-	-	-	-	34.3	-	24.5	58.8
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	0.6	0.6
At 31st December, 2025	111.4	1,356.1	4.3	3,139.2	689.6	(18.2)	(208.0)	7.0	(114.5)	2,457.8	7,424.7	1,732.9	2,703.8	11,861.4

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2025

	Notes	2025 HK\$'million	2024 HK\$'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,781.8)	(2,368.1)
Adjustments for:			
Finance costs	7	964.5	1,265.2
Share of profits and losses of associates		(36.2)	16.1
Interest income		(24.7)	(71.5)
Depreciation		693.2	710.4
Dividend income		(6.9)	(15.4)
Gain on disposal of a subsidiary	5	(4.5)	–
Gain on disposal of items of property, plant and equipment	6	(0.1)	(83.7)
Fair value losses on investment properties, net		238.7	319.4
Loss on re-measurement of finance lease		17.7	–
Loss on disposal of unlisted investments included in financial assets at fair value through profit or loss	5	5.5	3.5
Fair value losses on financial assets at fair value through profit or loss, net	6	5.5	146.2
Impairment loss on items of property, plant and equipment	6	–	37.9
Impairment loss on properties under development		6.4	228.2
Impairment loss on properties held for sale		428.5	212.4
Impairment loss on investments in associates		0.2	0.8
Impairment/(Reversal of impairment) of trade debtors, net	6	0.6	(2.3)
Impairment loss on other receivables	6	0.3	100.1
Impairment loss on loans receivable	6	7.0	–
Write-off of items of property, plant and equipment		–	2.7
Write-down of inventories to net realisable value	6	1.0	1.0
		<b>514.9</b>	<b>502.9</b>
Additions to properties under development		(65.2)	(92.5)
Decrease in properties held for sale		1,290.2	455.9
Decrease in financial assets at fair value through profit or loss		40.6	144.9
Decrease/(Increase) in inventories		8.4	(6.0)
Decrease/(Increase) in debtors, deposits and prepayments		103.9	(112.0)
Decrease in finance lease receivable		87.4	10.4
Decrease in restricted cash		40.0	6.4
Increase/(Decrease) in creditors and accruals		47.0	(81.9)
Decrease in contract liabilities		(9.3)	(318.1)
Increase/(Decrease) in deposits received		28.4	(18.7)
Decrease in derivative financial instruments		(1.1)	–
Cash generated from operations		<b>2,085.2</b>	<b>491.3</b>
Dividends received from listed investments		1.1	4.1
Interest received		0.5	1.6
Hong Kong profits tax paid		(48.5)	(73.1)
Overseas taxes paid		(11.6)	(61.3)
Net cash flows from operating activities		<b>2,026.7</b>	<b>362.6</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the year ended 31st December, 2025

	Note	2025 HK\$'million	2024 HK\$'million
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of assets		–	16.1
Proceeds from disposal of a subsidiary	38(c)	<b>204.0</b>	–
Purchase of financial assets at fair value through profit or loss		<b>(0.7)</b>	(1.2)
Proceeds from disposal of financial assets at fair value through other comprehensive income		–	13.0
Proceeds from disposal of financial assets at fair value through profit or loss		<b>80.4</b>	0.5
Distribution from financial assets at fair value through profit or loss		<b>78.5</b>	17.4
Decrease in loans receivable		<b>25.0</b>	6.8
Increase in derivative financial instruments		<b>(2.9)</b>	–
Additions to investment properties		<b>(18.3)</b>	(6.9)
Proceeds from disposal of investment properties		<b>141.3</b>	111.1
Purchases of items of property, plant and equipment		<b>(42.8)</b>	(78.6)
Proceeds from disposal of items of property, plant and equipment		<b>0.1</b>	397.9
Repayment from an associate		–	104.0
Interest received		<b>20.3</b>	66.7
Dividend received from an associate		<b>30.0</b>	–
Dividends received from unlisted investments		<b>5.8</b>	11.3
Decrease in restricted cash		<b>15.9</b>	15.6
Placement of pledged time deposits and bank balances		<b>(1.9)</b>	(124.8)
Net cash flows from investing activities		<b>534.7</b>	548.9
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares by a listed subsidiary, net of issue expenses		<b>10.4</b>	–
Drawdown of new bank loans		<b>675.8</b>	1,895.5
Repayment of bank loans		<b>(2,653.2)</b>	(2,367.7)
Drawdown of other borrowings		<b>98.0</b>	73.0
Repayment of other borrowings		<b>(83.0)</b>	–
Redemption of other borrowings		<b>(37.2)</b>	–
Interest paid		<b>(910.6)</b>	(1,205.1)
Payment of loan and other costs		<b>(53.4)</b>	(38.4)
Principal portion of lease payments		<b>(11.6)</b>	(12.9)
Contribution from non-controlling interests of a listed subsidiary		<b>0.6</b>	–
Dividend paid to non-controlling interests of a listed subsidiary		–	(0.5)
Acquisition of non-controlling interests in a listed subsidiary		–	(15.8)
Distribution to holders of perpetual securities		–	(114.1)
Decrease in restricted cash		<b>46.6</b>	164.1
Net cash flows used in financing activities		<b>(2,917.6)</b>	(1,621.9)

## CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the year ended 31st December, 2025

	Note	2025 HK\$'million	2024 HK\$'million
NET DECREASE IN CASH AND CASH EQUIVALENTS		(356.2)	(710.4)
Cash and cash equivalents at beginning of year		677.2	1,390.9
Effect of foreign exchange rate changes, net		(1.2)	(3.3)
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>319.8</u>	<u>677.2</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	38(a)	<u>319.8</u>	<u>677.2</u>

## 1. CORPORATE AND GROUP INFORMATION

Paliburg Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. With effect from 3rd November, 2025, the head office and principal place of business of the Company has been changed from 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong to 20th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in 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.

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

### Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
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	Financial assets investment
Chatwin Engineering Limited	Hong Kong	HK\$17,800,000	100	100	Building construction
Cosmos Gain Investment Limited	Hong Kong	HK\$2	100	100	Financing
Finso Limited	Hong Kong	HK\$2	100	100	Investment holding
Gain World Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
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
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, financial assets investment and nominee services
Hang Fok Properties Limited	British Virgin Islands	US\$100	84.6	84.6	Investment holding
Hilmark Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Jumbo Pearl Investments Limited	British Virgin Islands	US\$1	100	100	Financial assets investment
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

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration/ and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
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	Property development consultancy
Paliburg Development Finance Limited	Hong Kong	HK\$2	100	100	Financing
Paliburg Estate Agents Limited	Hong Kong	HK\$20	100	100	Provision of estate agency service
Paliburg Estate Management Limited	Hong Kong	HK\$20	100	100	Estate management
Paliburg Investments Limited	Hong Kong	HK\$526,506,860	100	100	Investment holding and management services and financing
Paliburg Property Development (Shanghai) Co., Ltd. <sup>(i)</sup>	The People's Republic of China ("PRC")/ Chinese Mainland	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. <sup>(i)</sup>	PRC/ Chinese Mainland	RMB20,000,000	100	100	Security systems and software design, development and distribution

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
Sun Joyous Investments Limited	British Virgin Islands	US\$1	100	100	Financial assets investment
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	Financial assets investment
Yield Star Limited	British Virgin Islands	US\$1	100	100	Investment holding
Yieldtop Holdings Limited	British Virgin Islands	US\$100	84.6	84.6	Investment holding
昆明中美二戰友誼公園文化傳播有限公司 <sup>(ii)</sup>	PRC/ Chinese Mainland	RMB5,000,000	87.0	87.0	Project management
Advance Fame Investments Limited	Hong Kong	HK\$1	84.6	84.6	Property development and investment holding
Alpha Advantage Investments Limited	British Virgin Islands	US\$1	84.6	84.6	Financial assets investment
Brilliant Enhancement Limited	Hong Kong	HK\$1	84.6	84.6	Property investment
Eminent Gold Investments Limited	Hong Kong	HK\$1	84.6	84.6	Property development
Equal Advantage Limited	Hong Kong	HK\$1	84.6	84.6	Property investment
Estate Legend Investments Limited	Hong Kong	HK\$1	84.6	84.6	Financing
Firstway Holdings Limited	Hong Kong	HK\$2	84.6	84.6	Property investment
Fountain Sky Limited	Hong Kong	HK\$2	84.6	84.6	Financial assets investment

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
Great Select Holdings Limited	British Virgin Islands	US\$1	84.6	84.6	Financial assets investment
Inspiring Goal Limited	Hong Kong	HK\$1	84.6	84.6	Property investment
Interzone Investments Limited	British Virgin Islands	US\$1	84.6	84.6	Financial assets investment
Island Wealth Investments Limited	Hong Kong	HK\$1	84.6	84.6	Food and beverage operations and property investment
Land Glory Holdings Limited	Hong Kong	HK\$1	84.6	84.6	Property development
Lead Fortune Development Limited	Hong Kong	HK\$2	84.6	84.6	Food and beverage operations
Leading Direction Limited	Hong Kong	HK\$1	84.6	84.6	Property investment
Lendas Investments Limited	British Virgin Islands	US\$1	84.6	84.6	Financial assets investment
Lucky Achievement Limited	Hong Kong	HK\$1	84.6	84.6	Property investment
Marvel Best International Limited	Hong Kong	HK\$1	84.6	84.6	Investment holding
Marvel Sino Holdings Limited	Hong Kong	HK\$1	84.6	84.6	Investment holding
Metropolitan Metro Asia (Ma On Shan) Limited	Hong Kong	HK\$1	84.6	84.6	Food and beverage operations
Metropolitan Metro Cafe (Ma On Shan) Limited	Hong Kong	HK\$1	84.6	84.6	Food and beverage operations
Multiple Achievement Limited	Hong Kong	HK\$1	84.6	84.6	Property investment

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
P&R Finance Limited	Hong Kong	HK\$1	84.6	84.6	Financing
P&R Holdings Limited ("P&R")	British Virgin Islands	US\$100	84.6	84.6	Investment holding
P&R International Treasury Limited	British Virgin Islands	US\$1	84.6	84.6	Financing
P&R Strategic Limited	British Virgin Islands	US\$1	84.6	84.6	Investment holding
Real Charm Investment Limited	Hong Kong	HK\$2	84.6	84.6	Property development and investment
Regala Success Limited	Hong Kong	HK\$100	84.6	84.6	Food and beverage operations
Smart Base Holdings Limited	Hong Kong	HK\$2	84.6	84.6	Property development
Star Yield Investments Limited	Hong Kong	HK\$1	84.6	84.6	Property development
Super Residence Limited	Hong Kong	HK\$1	84.6	84.6	Property investment
Treasure Lead Investments Limited	Hong Kong	HK\$1	84.6	84.6	Food and beverage operations
Ultimate Lead Limited	Hong Kong	HK\$1	84.6	84.6	Hotel ownership and operation
Ultra Goal Investments Limited	Hong Kong	HK\$1	84.6	84.6	Retail shops operation
Valuegood International Limited	British Virgin Islands	US\$1	84.6	84.6	Financial assets investment
Winart Investments Limited	British Virgin Islands	US\$1	84.6	84.6	Financial assets investment

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
Cosmopolitan International Holdings Limited ("Cosmopolitan")	Cayman Islands/ Hong Kong	Ordinary - HK\$32,792,411	59.9	58.8	Investment holding
		(2024 - HK\$24,792,411) Preference - HK\$4,590,975	84.6	84.6	
Bizwise Investments Limited	British Virgin Islands	US\$1	63.0	62.8	Financing
Cosmopolitan International Finance Limited	Hong Kong	HK\$1	63.0	62.8	Financing and financial assets investment
Cosmopolitan International Management Services Limited	Hong Kong	HK\$1	63.0	62.8	Management services
Ready Success Investment Limited	Hong Kong	HK\$1	63.0	62.8	Investment holding and financing
新疆麗寶生態開發 有限公司 <sup>(i)</sup>	PRC/ Chinese Mainland	US\$9,757,000 (2024 - US\$9,000,000)	63.0	62.8	Property development
成都富博房地產開發 有限公司 <sup>(i)</sup>	PRC/ Chinese Mainland	RMB315,000,000 (2024 - RMB281,000,000)	63.0	62.8	Property development
天津市富都房地產 開發有限公司 <sup>(i)</sup>	PRC/ Chinese Mainland	RMB158,365,000 (2024 - RMB155,505,000)	63.0	62.8	Property development
置富投資開發(成都) 有限公司 <sup>(i)</sup>	PRC/ Chinese Mainland	HK\$461,780,000 (2024 - HK\$417,800,000)	63.0	62.8	Property development
富宏(深圳)貿易 有限公司 <sup>(i)</sup>	PRC/ Chinese Mainland	RMB10,000,000	63.0	62.8	Development consultancy

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
Regal Hotels International Holdings Limited ("RHIHL")	Bermuda/ Hong Kong	Ordinary - HK\$89,878,233	69.3	69.3	Investment holding
Aesthetics Construction Engineering Limited	Hong Kong	HK\$1	69.3	69.3	Construction engineering
Alpha Season Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Ascent Human Resources Holdings Limited	Hong Kong	HK\$2	69.3	69.3	Provision of housekeeping services and investment holding
Ascent Property Services Limited	Hong Kong	HK\$1	69.3	69.3	Provision of security and guarding services
Best Time Enterprises Limited	Hong Kong	HK\$2	69.3	69.3	Passenger service licences holding and vehicle ownership
Camomile Investments Limited	Hong Kong	HK\$2	69.3	69.3	Property investment
Capital Charm Holdings Limited	Hong Kong	HK\$1	69.3	69.3	Hotel ownership and operation
Chest Gain Development Limited	Hong Kong	HK\$10,000	69.3	69.3	Investment holding
Come On Investment Company Limited	Hong Kong	HK\$10,000	69.3	69.3	Financing

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
Complete Success Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Eminent Result Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Favour Link International Limited	Hong Kong	HK\$1	69.3	69.3	Hotel operations
Favourite Stock Limited	British Virgin Islands	US\$1	69.3	69.3	Financial assets investment
Forever Venus Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Fortune Build Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Fortune Trove Limited	Hong Kong	HK\$1	69.3	69.3	Property investment
Frequentspirit Investimentos Imobiliários Lda.	Portugal	EUR100	69.3	69.3	Property development
Full Season International Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Gain Union Limited	Hong Kong	HK\$1	69.3	69.3	Property development
Gallant Glory Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Gaud Limited	Hong Kong	HK\$2	69.3	69.3	Financing
Gestiones E Inversiones Cosmoland, S.L.	Spain	EUR3,000	69.3	69.3	Hotel ownership

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
Golden Vessel Investments Limited	Hong Kong	HK\$1	69.3	69.3	Property investment
Great Prestige Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Greatlead Investments Limited	Hong Kong	HK\$1	69.3	69.3	Property investment
Harvest Charm Investment Limited	Hong Kong	HK\$2	69.3	69.3	Financial assets investment and financing
Hill Treasure Limited	British Virgin Islands	US\$1	69.3	69.3	Aircraft ownership and leasing
Honormate Nominees Limited	Hong Kong	HK\$2	69.3	69.3	Financial assets investment and nominee services
Honrich Investment Limited	Hong Kong	HK\$2	69.3	69.3	Financing
Impressive Galaxy Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Intellect Aquarius Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Kaybro Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Long Profits Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Financing
Loraine Developments, S.L.	Spain	EUR3,000	69.3	69.3	Hotel ownership

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
Maximum Good Limited	Hong Kong	HK\$1	69.3	69.3	Property investment
MetaGreen Technology Limited	Hong Kong	HK\$2	69.3	69.3	Investment holding
Metropolitan Central Kitchen Limited	Hong Kong	HK\$1	69.3	69.3	Sale of food products
Metropolitan F&B Management Limited	Hong Kong	HK\$1	69.3	69.3	Provision of management services for food and beverage operations
Million Sharp International Limited	Hong Kong	HK\$1	69.3	69.3	Property investment
Navigation Force Limited	British Virgin Islands	US\$1	69.3	69.3	Aircraft ownership and leasing
New Blossom International Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Rainbow Petal Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Regal Concord Limited	Hong Kong	HK\$1	69.3	69.3	Investment holding and financing
Regal Estate Agents Limited	Hong Kong	HK\$2	69.3	69.3	Provision of estate agency service
Regal Estate Management Limited	Hong Kong	HK\$2	69.3	69.3	Estate management

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
Regal F&B Management Limited	Hong Kong	HK\$1	69.3	69.3	Provision of management services for food and beverage operation
Regal Hotels (Holdings) Limited	Hong Kong	HK\$1,151,598,638	69.3	69.3	Investment holding and provision of management services
Regal Hotels Company Limited	Hong Kong	HK\$2	69.3	69.3	Investment holding
Regal Hotels International Limited	Hong Kong	HK\$100,000	69.3	69.3	Hotel management and investment holding
Regal Hotels Management (BVI) Limited	British Virgin Islands/ Chinese Mainland	US\$1	69.3	69.3	Investment holding and provision of management services
Regal International Limited	British Virgin Islands	US\$20	69.3	69.3	Investment and trademark holding
Regal International (BVI) Holdings Limited	British Virgin Islands	HK\$10.1	69.3	69.3	Investment holding
Regal Portfolio Management Limited	Hong Kong	HK\$11,611,937	69.3	69.3	Asset management

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
RH International Finance Limited	British Virgin Islands/ Hong Kong	US\$1	69.3	69.3	Financing
R.H.I. Licensing B.V.	The Netherlands	NLG40,000	69.3	69.3	Trademark holding
Rich Capital Investment Limited	Hong Kong	HK\$100	69.3	69.3	Property development
Success Path Investments Limited	Hong Kong	HK\$1	69.3	69.3	Property investment
Talent Collection Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Tenshine Limited	Hong Kong	HK\$2	69.3	69.3	Financial assets investment and financing
Time Crest Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Financial assets investment
Total Blessing Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Total Wisdom Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Treasure Dealer Limited	Hong Kong	HK\$1	69.3	69.3	Property investment
Unicorn Star Limited	British Virgin Islands	US\$1	69.3	69.3	Financial assets investment
Unique Sky Holdings Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
Vivid Merit Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Waterman House Investments Limited <sup>(iii)</sup>	England and Wales	GBP300	–	69.3	Property investment
Wealth Pavilion Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Financing
Wealth Virtue Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Wealthy Path Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Wealthy Smart Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Well Mount Investments Limited	British Virgin Islands	US\$1	69.3	69.3	Financial assets investment
Wing Bright Holdings Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
Will Smart Investments Limited	Hong Kong	HK\$1	69.3	69.3	Property investment
Wise Ahead Holdings Limited	British Virgin Islands	US\$1	69.3	69.3	Investment holding
廣州市富堡訂房服務有限公司 <sup>(i)</sup>	PRC/ Chinese Mainland	RMB100,000	69.3	69.3	Provision of room reservation services
富豪酒店投資管理(上海)有限公司 <sup>(i)</sup>	PRC/ Chinese Mainland	US\$140,000	69.3	69.3	Hotel management

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital/ issued units	Percentage of equity interest attributable to the Company		Principal activities
			2025	2024	
Regal Real Estate Investment Trust ("Regal REIT")	Hong Kong	3,257,431,189 units	51.9	51.9	Property investment
Bauhinia Hotels Limited	Hong Kong	HK\$2	51.9	51.9	Hotel ownership
Cityability Limited	Hong Kong	HK\$10,000	51.9	51.9	Hotel ownership
Gala Hotels Limited	Hong Kong	HK\$2	51.9	51.9	Hotel ownership
Land Crown International Limited	Hong Kong	HK\$1	51.9	51.9	Hotel ownership
Regal Asset Holdings Limited	Bermuda/ Hong Kong	US\$12,000	51.9	51.9	Investment holding
Regal Riverside Hotel Limited	Hong Kong	HK\$2	51.9	51.9	Hotel ownership
Rich Day Investments Limited	Hong Kong	HK\$1	51.9	51.9	Financing
Ricobem Limited	Hong Kong	HK\$100,000	51.9	51.9	Hotel ownership
Sonnix Limited	Hong Kong	HK\$2	51.9	51.9	Property ownership and hotel operation
R-REIT International Finance Limited	British Virgin Islands	US\$1	51.9	51.9	Financing
Tristan Limited	Hong Kong	HK\$20	51.9	51.9	Hotel ownership
Wise Decade Investments Limited	Hong Kong	HK\$1	51.9	51.9	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 subsidiary was disposed of 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.

### 2 ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

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

The Group had a net loss attributable to owners of the parent of HK\$1,157.9 million (2024 - HK\$1,643.4 million) for the year ended 31st December, 2025 and net current liabilities of HK\$734.2 million (2024 - net current assets of HK\$1,530.7 million) and net assets of HK\$11,861.4 million (2024 - HK\$13,479.8 million) as at 31st December, 2025. In addition, the Group had total non-pledged time deposits, cash and bank balances of HK\$319.8 million (2024 - HK\$677.2 million) as at 31st December, 2025 and a positive net cash flows from operating activities of HK\$2,026.7 million (2024 - HK\$362.6 million) for the year ended 31st December, 2025.

The consolidated financial statements were prepared based on the assumption that the Group is operating as a going concern, as the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31st December, 2025, after taking into consideration the following:

- (i) the estimated cash flows of the Group for the next twelve months from the end of the reporting period;
- (ii) the contracted sales of property assets of the Group, in Hong Kong and overseas, up to the current date;
- (iii) the plan for disposal of certain non-core assets, including certain overseas properties of the Group;
- (iv) the extension of the maturity date of the secured note for a two-year term, from 13th April, 2026, as agreed in March 2026;
- (v) the refinancing plan for certain maturing interest bearing bank borrowings that are secured by certain properties; and
- (vi) the available unutilised banking and other financial facilities of the Group.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to HKAS 21 *Lack of Exchangeability* for the first time for the year's consolidated financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

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

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

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2026

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

<sup>3</sup> No mandatory effective date yet determined but available for adoption

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

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

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

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

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

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

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

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

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

## 2.4 MATERIAL ACCOUNTING POLICIES

### (a) Business combinations and goodwill

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

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

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

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

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

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

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

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

### (b) Investments in associates

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

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

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

### (c) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interests in joint operations:

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

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

**(d) Fair value measurement**

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

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

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

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

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

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

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

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

**(e) Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, investment properties, properties under development, properties held for sale and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

### (f) Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

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

**(g) Leases**

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

**Group as a lessee**

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

**(i) Right-of-use assets**

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

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

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

**(ii) Lease liabilities**

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

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

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

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

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

### **Group as a lessor**

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

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

### **(h) Borrowing costs**

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

**(i) Intangible assets (other than goodwill)**

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

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

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

Passenger service licences are stated at cost less any impairment losses. They are regarded to have indefinite useful lives as they are renewable on a periodic basis with the appropriate authority and there is no foreseeable limit to the number of renewals and the period over which these assets are expected to generate cash flow for the Group.

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

**(j) Investments and other financial assets***Initial recognition and measurement*

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

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

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

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

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

### *Subsequent measurement*

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

#### *Financial assets at amortised cost (debt instruments)*

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Financial assets designated at fair value through other comprehensive income are not subject to impairment assessment.

#### *Financial assets at fair value through profit or loss*

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised in the statement of profit or loss when the right of payment has been established.

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

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

#### **(k) Impairment of financial assets**

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

##### *General approach*

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

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

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

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

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

### *Simplified approach*

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

## **(I) 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, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

*Subsequent measurement*

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

*Financial liabilities at fair value through profit or loss*

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

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

*Financial liabilities at amortised cost (trade and other payables, and borrowings)*

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

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

*Financial guarantee contracts*

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

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

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

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

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

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

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

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

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

#### *Cash flow hedges*

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

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

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

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

### (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 less costs to be incurred in selling the properties.

### (s) Property, plant and equipment and depreciation

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

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

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

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

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

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

Construction in progress is stated at cost less any impairment losses and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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

**(t) Inventories**

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

**(u) Revenue recognition**

*Revenue from contracts with customers*

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

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

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

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

(i) Sale of properties

Revenue from the sale of properties is recognised at the point in time when the purchasers obtain the physical possession or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

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

(ii) Hotel operations and management services

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

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

*Loyalty points programmes*

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

(iii) Construction services

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

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(iv) Estate management service

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

(v) Revenue from other operations

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

*Revenue from other sources*

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

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

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

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

**(v) Contract assets**

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

**(w) Contract liabilities**

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

### (x) Contract costs

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

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

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

### (y) Foreign currencies

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

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

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

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

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

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

**(z) Income tax**

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

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

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

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

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

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

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

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

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

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

#### *PRC Land appreciation tax ("LAT")*

LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including land costs, borrowing costs and other property development expenditure.

### **(aa) Employee benefits**

#### *Staff retirement schemes*

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

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

**(ab) Related parties**

A party is considered to be related to the Group if:

- (i) the party is a person or a close member of that person's family and that person
  - (1) has control or joint control over the Group;
  - (2) has significant influence over the Group; or
  - (3) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (ii) the party is an entity where any of the following conditions applies:
  - (1) the entity and the Group are members of the same group;
  - (2) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (3) the entity and the Group are joint ventures of the same third party;
  - (4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (6) the entity is controlled or jointly controlled by a person identified in (i);
  - (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (8) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**(ac) Cash and cash equivalents**

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

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

### (ad) Dividends

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

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

### (ae) Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of impairment.

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

### (af) Perpetual securities

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

### (ag) Maintenance reserves

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

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

**(ah) Government grants**

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

**(ai) Events after the reporting period**

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

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

**(a) Judgements**

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

*Property lease classification - Group as lessor*

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

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

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

### *Classification between investment properties and owner-occupied properties*

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

### *Classification between investment properties and properties held for sale*

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

### *Income taxes*

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

*Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the carryforward of unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets and related taxable profit projections are reviewed at the end of each reporting period. The carrying value of gross deferred tax assets relating to recognised tax losses at 31st December, 2025 was HK\$155.2 million (2024 - HK\$146.5 million). The amount of unrecognised deferred tax assets in respect of tax losses at 31st December, 2025 was HK\$1,517.1 million (2024 - HK\$1,423.7 million). Further details are contained in note 33 to the financial statements.

*Allocation of construction costs on properties under development*

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

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

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

**(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.

*Provision for expected credit losses on trade debtors*

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

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

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade debtors is disclosed in note 26 to the financial statements.

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

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

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

### *Leases – Estimating the incremental borrowing rate*

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

### *Impairment of non-financial assets (other than goodwill)*

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

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

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

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

*Estimation of fair value of investment properties*

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

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

The carrying amount of investment properties at 31st December, 2025 was HK\$3,098.1 million (2024 - HK\$3,425.3 million). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

*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.

*Provision for PRC LAT*

The subsidiaries engaging in the property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these tax liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax expense and provisions for LAT in the period in which such determination is made.

### 4. OPERATING SEGMENT INFORMATION

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

- (a) the property development and investment segment comprises the development and sale of properties, the leasing of properties and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy, project management and construction engineering 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 income; and
- (g) the others segment mainly comprises the provision of financing services, sale of food products, operation and management of restaurants, and the provision of housekeeping and related services.

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

Segment assets exclude certain loans receivable, 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, 2025 and 2024:

	Property development and investment		Construction and building related businesses		Hotel operation and management		Asset management		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment revenue (note 5)																		
Sales to external customers	1,745.6	798.7	49.3	30.5	1,904.3	1,771.0	-	-	1.6	37.6	-	18.0	91.8	75.2	-	-	3,792.6	2,731.0
Intersegment sales	22.2	30.5	24.6	23.6	0.8	0.8	93.1	93.1	-	-	-	-	181.8	167.4	(322.5)	(315.4)	-	-
<b>Total segment revenue</b>	<b>1,767.8</b>	<b>829.2</b>	<b>73.9</b>	<b>54.1</b>	<b>1,905.1</b>	<b>1,771.8</b>	<b>93.1</b>	<b>93.1</b>	<b>1.6</b>	<b>37.6</b>	<b>-</b>	<b>18.0</b>	<b>273.6</b>	<b>242.6</b>	<b>(322.5)</b>	<b>(315.4)</b>	<b>3,792.6</b>	<b>2,731.0</b>
Segment results before depreciation	(638.9)	(745.5)	(11.1)	(8.8)	633.7	551.3	(16.6)	(14.9)	(9.0)	(201.2)	-	147.9	(6.8)	(9.6)	-	-	(48.7)	(280.8)
Depreciation	(10.2)	(13.9)	(0.4)	(0.6)	(678.0)	(689.9)	(0.2)	(0.1)	-	-	-	(2.8)	(4.3)	(3.1)	-	-	(693.1)	(710.4)
Segment results	(649.1)	(759.4)	(11.5)	(9.4)	(44.3)	(138.6)	(16.8)	(15.0)	(9.0)	(201.2)	-	145.1	(11.1)	(12.7)	-	-	(741.8)	(991.2)
Unallocated interest income and unallocated non-operating and corporate gains																	21.6	62.7
Unallocated non-operating and corporate expenses																	(134.5)	(158.9)
Finance costs (other than interest on lease liabilities)																	(963.3)	(1,264.6)
Share of profits and losses of associates	38.4	0.3	-	-	(2.2)	(16.4)	-	-	-	-	-	-	-	-	-	-	36.2	(16.1)
Loss before tax																	(1,781.8)	(2,368.1)
Income tax																	10.5	(73.2)
Loss for the year before allocation between equity holders of the parent and non-controlling interests																	(1,771.3)	(2,441.3)
Attributable to:																		
Equity holders of the parent																	(1,157.9)	(1,643.4)
Non-controlling interests																	(613.4)	(797.9)
																	(1,771.3)	(2,441.3)

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Asset management		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment assets	9,600.5	12,032.0	26.7	40.3	20,994.4	21,416.7	39.5	33.0	315.5	639.2	-	-	207.8	235.8	(38.7)	(31.9)	31,145.7	34,365.1
Investments in associates	11.1	2.7	-	-	271.3	273.5	-	-	-	-	-	-	4.0	4.1	-	-	286.4	280.3
Cash and unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,029.4	1,475.4
Total assets	(805.1)	(748.9)	(5.8)	(5.9)	(625.2)	(435.3)	(1.0)	(1.2)	(19.2)	(1.0)	-	(2.1)	(22.6)	(28.1)	38.7	31.9	32,461.5	36,120.8
Segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(19,159.9)	(21,450.4)
Interest bearing bank borrowings and unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,600.1)	(22,641.0)
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other segment information:																		
Gain on disposal of items of property, plant and equipment	(0.1)	-	-	-	-	-	-	-	-	-	-	(83.7)	-	-	-	-	-	-
Impairment loss on items of property, plant and equipment	-	37.3	-	-	-	-	-	-	-	-	-	-	-	0.6	-	-	-	-
Impairment loss on properties under development	6.4	228.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss on properties held for sale	428.5	212.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss on investments in associates	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.8	-	-	-	-
Impairment/Reversal of impairment of trade debtors, net	0.3	-	-	-	0.3	(2.3)	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of other receivables	0.3	-	-	-	-	-	-	-	-	99.0	-	-	-	1.1	-	-	-	-
Impairment of loans receivable	0.1	-	-	-	-	-	-	-	-	-	-	-	6.9	-	-	-	-	-
Fair value losses on financial assets at fair value through profit or loss, net	-	-	-	-	-	-	-	-	5.5	146.2	-	-	-	-	-	-	-	-
Fair value losses/gains on investment properties, net	230.7	325.8	-	-	8.0	(6.4)	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	(3.9)	(6.2)	-	-	-	-	-	-	(0.3)	(2.1)	-	-	(6.1)	(7.9)	-	-	-	-
Capital expenditure	42.8	71.6	-	-	45.0	76.0	0.1	0.6	-	-	-	-	0.4	8.3	-	-	-	-

Geographical information

(a) Revenue from external customers

	<b>2025</b> <b>HK\$'million</b>	<b>2024</b> <b>HK\$'million</b>
Hong Kong	3,742.5	2,344.2
Chinese Mainland	34.2	355.0
Other	15.9	31.8
Total revenue	<u>3,792.6</u>	<u>2,731.0</u>

The revenue information above is based on the locations of the customers, except for the property development and investment segment which is based on the locations of the properties.

(b) Non-current assets

	<b>2025</b> <b>HK\$'million</b>	<b>2024</b> <b>HK\$'million</b>
Hong Kong	24,746.3	25,567.0
Chinese Mainland	203.7	189.1
Other	160.7	324.0
Total non-current assets	<u>25,110.7</u>	<u>26,080.1</u>

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

Information about major customer

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

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2025 HK\$'million	2024 HK\$'million
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Proceeds from sale of properties	1,684.7	733.9
Hotel operations and management services	1,843.9	1,710.2
Construction and construction-related income	40.1	21.9
Estate management fees	9.2	8.6
Other operations	91.8	75.2
	<u>3,669.7</u>	<u>2,549.8</u>
<i>Revenue from other sources</i>		
Rental income:		
Hotel properties	42.1	40.4
Investment properties	71.9	77.2
Aircraft	–	18.0
Others	4.0	3.0
Net gain from sale of financial assets at fair value through profit or loss	0.4	31.8
Loss on settlement of derivative financial instruments, net	(0.2)	–
Interest income from financial assets at fair value through profit or loss	0.3	1.7
Interest income from finance lease	3.3	5.0
Dividend income from listed investments	1.1	4.1
	<u>3,792.6</u>	<u>2,731.0</u>
Total	<u><u>3,792.6</u></u>	<u><u>2,731.0</u></u>

Revenue from contracts with customers

(i) Disaggregated revenue information

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

For the year ended 31st December, 2025					
Segments	Property development and investment HK\$'million	Construction and building related businesses HK\$'million	Hotel operation and management and hotel ownership HK\$'million	Others HK\$'million	Total HK\$'million
<b>Types of goods or services</b>					
Construction and construction-related income	-	40.1	-	-	40.1
Sale of properties	1,684.7	-	-	-	1,684.7
Estate management fees	-	9.2	-	-	9.2
Hotel operations and management services					
Hotel operations	-	-	1,839.2	-	1,839.2
Management services	-	-	4.7	-	4.7
Other operations	-	-	-	91.8	91.8
Total	<u>1,684.7</u>	<u>49.3</u>	<u>1,843.9</u>	<u>91.8</u>	<u>3,669.7</u>
<b>Geographical markets</b>					
Hong Kong	1,655.6	49.3	1,840.9	91.8	3,637.6
Chinese Mainland	29.1	-	3.0	-	32.1
Total	<u>1,684.7</u>	<u>49.3</u>	<u>1,843.9</u>	<u>91.8</u>	<u>3,669.7</u>
<b>Timing of revenue recognition</b>					
At a point in time	1,684.7	0.1	329.0	24.2	2,038.0
Over time	-	49.2	1,514.9	67.6	1,631.7
Total	<u>1,684.7</u>	<u>49.3</u>	<u>1,843.9</u>	<u>91.8</u>	<u>3,669.7</u>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Segments	For the year ended 31st December, 2024				
	Property development and investment HK\$'million	Construction and building related businesses HK\$'million	Hotel operation and management and hotel ownership HK\$'million	Others HK\$'million	Total HK\$'million
<b>Types of goods or services</b>					
Construction and construction-related income	–	21.9	–	–	21.9
Sale of properties	733.9	–	–	–	733.9
Estate management fees	–	8.6	–	–	8.6
Hotel operations and management services					
Hotel operations	–	–	1,703.3	–	1,703.3
Management services	–	–	6.9	–	6.9
Other operations	–	–	–	75.2	75.2
Total	<u>733.9</u>	<u>30.5</u>	<u>1,710.2</u>	<u>75.2</u>	<u>2,549.8</u>
<b>Geographical markets</b>					
Hong Kong	396.3	30.5	1,706.3	75.2	2,208.3
Chinese Mainland	<u>337.6</u>	–	<u>3.9</u>	–	<u>341.5</u>
Total	<u>733.9</u>	<u>30.5</u>	<u>1,710.2</u>	<u>75.2</u>	<u>2,549.8</u>
<b>Timing of revenue recognition</b>					
At a point in time	733.9	0.1	315.4	28.4	1,077.8
Over time	–	30.4	1,394.8	46.8	1,472.0
Total	<u>733.9</u>	<u>30.5</u>	<u>1,710.2</u>	<u>75.2</u>	<u>2,549.8</u>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

For the year ended 31st December, 2025					
Segments	Property development and investment HK\$'million	Construction and building related businesses HK\$'million	Hotel operation and management and hotel ownership HK\$'million	Others HK\$'million	Total HK\$'million
Segment revenue	1,767.8	73.9	1,905.1	273.6	4,020.4
Other revenue	(60.9)	–	(60.4)	–	(121.3)
Intersegment adjustments and eliminations	(22.2)	(24.6)	(0.8)	(181.8)	(229.4)
Total revenue from contracts with customers	<u>1,684.7</u>	<u>49.3</u>	<u>1,843.9</u>	<u>91.8</u>	<u>3,669.7</u>

For the year ended 31st December, 2024					
Segments	Property development and investment HK\$'million	Construction and building related businesses HK\$'million	Hotel operation and management and hotel ownership HK\$'million	Others HK\$'million	Total HK\$'million
Segment revenue	829.2	54.1	1,771.8	242.6	2,897.7
Other revenue	(64.8)	–	(60.8)	–	(125.6)
Intersegment adjustments and eliminations	(30.5)	(23.6)	(0.8)	(167.4)	(222.3)
Total revenue from contracts with customers	<u>733.9</u>	<u>30.5</u>	<u>1,710.2</u>	<u>75.2</u>	<u>2,549.8</u>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

The revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period amounted to HK\$118.6 million (2024 - HK\$409.5 million).

(ii) Performance obligations

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

*Sale of properties*

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

*Hotel operations and management services*

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

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

*Construction services*

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

*Estate management services*

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

*Sale of food products*

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

*Revenue from restaurant and retail shop operations*

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

*Revenue from housekeeping services*

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

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

	2025 HK\$'million	2024 HK\$'million
Amounts expected to be recognised as revenue:		
Within one year	<u>474.8</u>	<u>332.8</u>
<u>Other income and gains, net</u>		
Bank interest income	8.5	23.9
Other interest income	12.6	40.9
Dividend income from unlisted investments	5.8	11.3
Loss on disposal of unlisted investments included in financial assets at fair value through profit or loss	(5.5)	(3.5)
Release of aircraft maintenance reserve	–	50.3
Gain on disposal of items of property, plant and equipment	0.1	83.7
Gain on disposal of a subsidiary	4.5	–
Others	7.7	14.6
Total other income and gains	<u>33.7</u>	<u>221.2</u>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 6. LOSS BEFORE TAX

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

	2025 HK\$'million	2024 HK\$'million
Cost of inventories sold and services provided	2,624.1	1,787.3
Depreciation of property, plant and equipment	349.6	364.0
Depreciation of right-of-use assets	343.6	346.4
	<u>693.2</u>	<u>710.4</u>
Employee benefit expense* (exclusive of Directors' remuneration disclosed in note 8):		
Salaries, wages and allowances	687.3	712.1
Staff retirement scheme contributions	28.8	31.9
Less: Forfeited contributions <sup>^</sup>	(3.0)	(2.3)
	<u>713.1</u>	<u>741.7</u>
Less: Staff costs capitalised in respect of property development projects and construction contracts:		
Salaries, wages and allowances	(2.0)	(21.8)
Staff retirement scheme contributions	(0.3)	(1.5)
Less: Forfeited contributions <sup>^</sup>	–	0.2
	<u>–</u>	<u>–</u>
Total	<u>710.8</u>	<u>718.6</u>

\* Inclusive of an amount of HK\$565.1 million (2024 - HK\$569.8 million) classified under the cost of inventories sold and services provided.

<sup>^</sup> At 31st December, 2025, the Group had no forfeited contributions available to reduce its contributions to the staff retirement scheme in future years (2024 - Nil).

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

	<b>2025</b> <b>HK\$'million</b>	<b>2024</b> <b>HK\$'million</b>
Auditor's remuneration	10.0	10.5
Impairment/(Reversal of impairment) of trade debtors, net	0.6	(2.3)
Impairment of other receivables	0.3	100.1
Impairment of loans receivable	7.0	–
Gain on disposal of items of property, plant and equipment	(0.1)	(83.7)
Lease payments not included in the measurement of lease liabilities	1.4	1.1
Write-down of inventories to net realisable value	1.0	1.0
Impairment loss of items of property, plant and equipment	–	37.9
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
– mandatorily classified as such, including those held for trading	<b>(20.9)</b>	156.0
– derivative instruments – transactions not qualifying as hedges	<b>26.4</b>	(9.8)
	<b>5.5</b>	146.2
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	<b>34.2</b>	40.8
Foreign exchange differences, net	<b>(5.1)</b>	9.9

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 7. FINANCE COSTS

	2025 HK\$'million	2024 HK\$'million
Interest on bank loans	860.1	1,184.4
Interest on other borrowings	31.1	32.0
Interest expenses arising from revenue contracts	0.8	3.7
Interest on lease liabilities	1.2	0.5
Amortisation of debt establishment costs	52.1	51.1
Total interest expenses on financial liabilities not at fair value through profit or loss	945.3	1,271.7
Fair value changes on derivative financial instruments - cash flow hedges (transfer from hedging reserve)	14.6	(10.9)
Other loan costs	4.6	4.5
Subtotal	964.5	1,265.3
Less: Finance costs capitalised	-	(0.1)
Total	964.5	1,265.2

### 8. DIRECTORS' REMUNERATION

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

	2025 HK\$'million	2024 HK\$'million
Fees	6.7	6.7
Other emoluments:		
Salaries, allowances and benefits in kind	32.5	33.0
Staff retirement scheme contributions	2.4	2.4
Total	41.6	42.1

(a) Independent non-executive directors

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

	2025 HK\$'million	2024 HK\$'million
Mr. Bowen Joseph Leung Po Wing, GBS, JP	0.60	0.60
Ms. Winnie Ng, JP	0.70	0.70
Mr. Abraham Shek Lai Him, GBS, JP	0.90	0.90
Mr. Wong Chi Keung	0.80	0.80
	<hr/>	<hr/>
Total	<b>3.00</b>	<b>3.00</b>
	<hr/> <hr/>	<hr/> <hr/>

- For the year ended 31st December, 2025, 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\$0.15 million per annum and HK\$0.10 million per annum as its chairman and a member, respectively), the Nomination Committee (HK\$0.05 million per annum) and the Remuneration Committee (HK\$0.05 million per annum) of the Company, where applicable, amounted to HK\$3.00 million (2024 - HK\$3.00 million, which also included fees for serving as members of the Board Committees).
- The fees paid to Mr. Bowen Joseph Leung Po Wing, GBS, JP for the year ended 31st December, 2025 also included a fee for serving as an independent non-executive director as well as a member of each of the audit committee and the nomination committee of Regal Portfolio Management Limited ("RPML") (the manager of Regal REIT) amounted to HK\$0.30 million (2024 - HK\$0.30 million).
- The fees paid to Ms. Winnie Ng, JP for the year ended 31st December, 2025 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 RHIHL amounted to HK\$0.35 million (2024 - HK\$0.35 million).
- The fees paid to Mr. Abraham Shek Lai Him, GBS, JP for the year ended 31st December, 2025 also included a fee for serving as (i) an independent non-executive director as well as a member of each of the audit committee and the nomination committee of Cosmopolitan; and (ii) an independent non-executive director as well as a member of each of the audit committee and the nomination committee of RPML amounted to HK\$0.60 million (2024 - HK\$0.60 million).
- The fees paid to Mr. Wong Chi Keung for the year ended 31st December, 2025 also included a fee for serving as an independent non-executive director, the chairman of the audit committee as well as a member of each of the nomination committee and the remuneration committee of RHIHL amounted to HK\$0.40 million (2024 - HK\$0.40 million).

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

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

(b) Executive directors

	Fees HK\$'million (Notes)	Salaries, allowances and benefits in kind HK\$'million	Staff retirement scheme contributions HK\$'million	Total remuneration HK\$'million
<b>2025</b>				
Mr. Lo Yuk Sui	0.95	14.08	1.03	16.06
Mr. Jimmy Lo Chun To	0.60	5.41	0.30	6.31
Mr. Kelvin Leung So Po	0.45	2.24	0.22	2.91
Ms. Lo Po Man	0.60	5.26	0.29	6.15
Mr. Kenneth Ng Kwai Kai	0.75	3.15	0.32	4.22
Mr. Kenneth Wong Po Man	0.30	2.36	0.24	2.90
Total	<u>3.65</u>	<u>32.50</u>	<u>2.40</u>	<u>38.55</u>
<b>2024</b>				
Mr. Lo Yuk Sui	0.95	13.84	1.03	15.82
Mr. Jimmy Lo Chun To	0.60	5.41	0.30	6.31
Mr. Kelvin Leung So Po	0.45	2.24	0.22	2.91
Ms. Lo Po Man	0.60	5.26	0.29	6.15
Mr. Kenneth Ng Kwai Kai	0.75	3.67	0.32	4.74
Mr. Kenneth Wong Po Man	0.30	2.56	0.25	3.11
Total	<u>3.65</u>	<u>32.98</u>	<u>2.41</u>	<u>39.04</u>

## Notes:

For the years ended 31st December, 2025 and 2024, the fees entitled by:

- Mr. Lo Yuk Sui also included (i) a fee of HK\$0.05 million per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company; (ii) a fee of HK\$0.15 million per annum for serving as an executive director of RHIHL and a fee of HK\$0.05 million per annum for serving as a member of each of the nomination committee and the remuneration committee of RHIHL; (iii) a fee of HK\$0.15 million per annum for serving as an executive director of Cosmopolitan and a fee of HK\$0.05 million per annum for serving as a member of each of the nomination committee and the remuneration committee of Cosmopolitan; and (iv) a fee of HK\$0.15 million per annum for serving as a non-executive director of RPML and a fee of HK\$0.05 million per annum for serving as a member of the nomination committee of RPML.
- Mr. Jimmy Lo Chun To and Ms. Lo Po Man also included (i) a fee of HK\$0.15 million per annum entitled by each of these Directors for serving as an executive director of RHIHL; (ii) a fee of HK\$0.15 million per annum entitled by each of these Directors for serving as an executive director of Cosmopolitan; and (iii) a fee of HK\$0.15 million per annum entitled by each of these Directors for serving as a non-executive director of RPML.
- Mr. Kelvin Leung So Po also included (i) a fee of HK\$0.15 million per annum for serving as an executive director of RHIHL; and (ii) a fee of HK\$0.15 million per annum for serving as an executive director of Cosmopolitan.
- Mr. Kenneth Ng Kwai Kai also included (i) a fee of HK\$0.15 million per annum for serving as an executive director of RHIHL; (ii) a fee of HK\$0.15 million per annum for serving as an executive director of Cosmopolitan; and (iii) a fee of HK\$0.15 million per annum for serving as a non-executive director of RPML, a fee of HK\$0.1 million per annum for serving as a member of the audit committee of RPML and a fee of HK\$0.05 million per annum for serving as a member of the nomination committee of RPML.
- Mr. Kenneth Wong Po Man also included a fee of HK\$0.15 million per annum for serving as an executive director of Cosmopolitan.

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

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals during the year included five (2024 - five) Directors, details of whose remuneration are disclosed in note 8 to the financial statements.

### 10. INCOME TAX

	2025 HK\$'million	2024 HK\$'million
Current – Hong Kong profits tax		
Charge for the year	21.5	22.4
Underprovision in prior years	29.6	14.0
Current – the PRC and overseas – income taxes		
Charge for the year	0.2	16.4
Underprovision in prior years	0.3	–
PRC land appreciation tax	(3.0)	81.2
Deferred (note 33)	(59.1)	(60.8)
Total tax charge/(credit) for the year	<u>(10.5)</u>	<u>73.2</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2024 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

Taxes on the profits of subsidiaries operating in the PRC and 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 Chinese Mainland 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\$7.5 million (2024 - Nil), is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

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

2025

	Hong Kong and overseas HK\$'million	%	Chinese Mainland HK\$'million	%	Total HK\$'million
Loss before tax	<u>(1,370.5)</u>		<u>(411.3)</u>		<u>(1,781.8)</u>
Tax at the statutory tax rate	(226.1)	16.5	(102.8)	25.0	(328.9)
Adjustments in respect of current tax of previous years	29.6		0.3		29.9
Profits attributable to associates	(6.0)		–		(6.0)
Income not subject to tax	(33.8)		(1.5)		(35.3)
Expenses not deductible for tax	187.0		47.0		234.0
Tax losses utilised from previous years	(7.8)		–		(7.8)
Tax losses not recognised during the year	100.5		3.6		104.1
LAT provided	–		(3.0)		(3.0)
Tax effect on LAT	–		0.7		0.7
Others	0.8		1.0		1.8
Tax charge/(credit) for the year	<u>44.2</u>		<u>(54.7)</u>		<u>(10.5)</u>

2024

	Hong Kong and overseas HK\$'million	%	Chinese Mainland HK\$'million	%	Total HK\$'million
Loss before tax	<u>(2,012.1)</u>		<u>(356.0)</u>		<u>(2,368.1)</u>
Tax at the statutory tax rate	(332.0)	16.5	(89.0)	25.0	(421.0)
Adjustments in respect of current tax of previous years	14.0		–		14.0
Losses attributable to associates	2.7		–		2.7
Income not subject to tax	(60.2)		(8.7)		(68.9)
Expenses not deductible for tax	231.3		28.2		259.5
Tax losses utilised from previous years	(5.3)		(0.7)		(6.0)
Tax losses not recognised during the year	156.9		62.3		219.2
LAT provided	–		81.2		81.2
Tax effect on LAT	–		(20.3)		(20.3)
Others	(5.2)		18.0		12.8
Tax charge for the year	<u>2.2</u>		<u>71.0</u>		<u>73.2</u>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 11. DIVIDENDS

No dividend was paid or proposed during the year ended 31st December, 2025, nor has any dividend been proposed since the end of the reporting period (2024 - Nil).

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

(a) Basic loss per ordinary share

The calculation of the basic loss per ordinary share for the year ended 31st December, 2025 is based on the loss for the year attributable to equity holders of the parent of HK\$1,157.9 million (2024 - HK\$1,643.4 million), adjusted for the share of accrued distribution related to perpetual securities of the RHIHL Group of HK\$79.2 million (2024 - distribution related to perpetual securities of the RHIHL Group of HK\$79.0 million), and on 1,114.6 million (2024 - 1,114.6 million) ordinary shares of the Company outstanding during the year.

(b) Diluted loss per ordinary share

No adjustment was made to the basic loss per ordinary share for the years ended 31st December, 2025 and 2024 as the Company had no potentially dilutive ordinary shares outstanding and therefore no diluting events existed throughout the years.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings HK\$'million	Leasehold properties HK\$'million	Properties under construction HK\$'million	Leasehold improvements, furniture, fixtures and equipment HK\$'million	Motor vehicles HK\$'million	Construction in progress HK\$'million	Total HK\$'million
<b>31st December, 2025</b>							
At 1st January, 2025:							
Cost	7,776.0	80.2	227.2	1,119.3	9.3	19.2	9,231.2
Accumulated depreciation and impairment	(2,523.3)	(17.7)	(37.3)	(931.9)	(6.6)	-	(3,516.8)
Net carrying amount	<u>5,252.7</u>	<u>62.5</u>	<u>189.9</u>	<u>187.4</u>	<u>2.7</u>	<u>19.2</u>	<u>5,714.4</u>
At 1st January, 2025, net of accumulated depreciation and impairment	5,252.7	62.5	189.9	187.4	2.7	19.2	5,714.4
Additions	-	-	-	28.9	1.1	12.6	42.6
Reclassification	-	-	-	9.6	-	(9.6)	-
Transfer to properties held for sale	-	(0.8)	-	-	-	-	(0.8)
Disposal of a subsidiary (Note 38(c))	-	-	(204.0)	-	-	-	(204.0)
Write-off/Disposals	-	-	-	(7.8)	(1.0)	-	(8.8)
Write-back of depreciation upon write-off/disposals	-	-	-	7.8	1.0	-	8.8
Depreciation provided during the year	(274.6)	(2.5)	-	(71.2)	(1.3)	-	(349.6)
Exchange realignment	-	0.3	14.1	-	-	-	14.4
At 31st December, 2025, net of accumulated depreciation and impairment	<u>4,978.1</u>	<u>59.5</u>	<u>-</u>	<u>154.7</u>	<u>2.5</u>	<u>22.2</u>	<u>5,217.0</u>
At 31st December, 2025:							
Cost	7,776.0	79.5	-	1,150.1	9.5	22.2	9,037.3
Accumulated depreciation and impairment	(2,797.9)	(20.0)	-	(995.4)	(7.0)	-	(3,820.3)
Net carrying amount	<u>4,978.1</u>	<u>59.5</u>	<u>-</u>	<u>154.7</u>	<u>2.5</u>	<u>22.2</u>	<u>5,217.0</u>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

	Hotel buildings HK\$'million	Leasehold properties HK\$'million	Properties under construction HK\$'million	Leasehold improvements, furniture, fixtures and equipment HK\$'million	Motor vehicles HK\$'million	Aircraft HK\$'million	Construction in progress HK\$'million	Total HK\$'million
<b>31st December, 2024</b>								
At 1st January, 2024:								
Cost	7,776.0	74.0	231.4	1,072.8	10.1	414.5	4.9	9,583.7
Accumulated depreciation and impairment	(2,246.2)	(14.8)	-	(857.2)	(7.2)	(96.9)	-	(3,222.3)
Net carrying amount	<u>5,529.8</u>	<u>59.2</u>	<u>231.4</u>	<u>215.6</u>	<u>2.9</u>	<u>317.6</u>	<u>4.9</u>	<u>6,361.4</u>
At 1st January, 2024, net of accumulated depreciation and impairment								
	5,529.8	59.2	231.4	215.6	2.9	317.6	4.9	6,361.4
Additions	-	6.5	-	51.2	1.3	-	16.9	75.9
Reclassification	-	-	-	2.6	-	-	(2.6)	-
Write-off/Disposals	-	-	-	(7.2)	(2.1)	(412.0)	-	(421.3)
Write-back of depreciation upon write-off/disposals	-	-	-	5.8	1.7	99.1	-	106.6
Depreciation provided during the year	(277.1)	(2.4)	-	(80.6)	(1.1)	(2.8)	-	(364.0)
Impairment	-	(0.6)	(37.3)	-	-	-	-	(37.9)
Exchange realignment	-	(0.2)	(4.2)	-	-	(1.9)	-	(6.3)
At 31st December, 2024, net of accumulated depreciation and impairment	<u>5,252.7</u>	<u>62.5</u>	<u>189.9</u>	<u>187.4</u>	<u>2.7</u>	<u>-</u>	<u>19.2</u>	<u>5,714.4</u>
At 31st December, 2024:								
Cost	7,776.0	80.2	227.2	1,119.3	9.3	-	19.2	9,231.2
Accumulated depreciation and impairment	(2,523.3)	(17.7)	(37.3)	(931.9)	(6.6)	-	-	(3,516.8)
Net carrying amount	<u>5,252.7</u>	<u>62.5</u>	<u>189.9</u>	<u>187.4</u>	<u>2.7</u>	<u>-</u>	<u>19.2</u>	<u>5,714.4</u>

At 31st December, 2025, the Group's property, plant and equipment and leasehold land included in right-of-use assets (note 15) with net carrying amounts of HK\$5,169.8 million and HK\$14,834.2 million (2024 - HK\$5,482.4 million and HK\$15,023.6 million), respectively, were pledged to secure banking facilities granted to the Group.

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

14. INVESTMENT PROPERTIES

	2025 HK\$'million	2024 HK\$'million
Completed investment properties	<u>3,098.1</u>	<u>3,425.3</u>
The movements of investment properties during the year are as follows:		
Carrying amount at 1st January	3,425.3	3,868.8
Capital expenditure for the year	18.3	8.4
Lease modification	2.9	0.2
Disposals	(141.3)	(111.1)
Net loss from fair value adjustments	(238.7)	(319.4)
Exchange realignment	<u>31.6</u>	<u>(21.6)</u>
Carrying amount at 31st December	<u>3,098.1</u>	<u>3,425.3</u>

The Directors of the Company determined the Group's investment properties into different classes of asset based on the nature, characteristics and risks of each property. Certain of the Group's properties included in investment properties were revalued on 31st December, 2025 based on valuations performed by Savills Valuation and Professional Services Limited, Cushman & Wakefield Limited, Colliers International (Hong Kong) Limited, Colliers International Spain and Knight Frank Petty Limited, five independent professionally qualified valuers, at an aggregate valuation amount of HK\$3,095.2 million. Each year, the Group's management selects the external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management also has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuations are performed for interim and annual financial reporting. Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 15(b) to the financial statements.

At 31st December, 2025, the Group's investment properties with a carrying value of HK\$3,051.8 million (2024 - HK\$3,382.7 million) were pledged to secure banking facilities granted to the Group.

Further particulars of the Group's investment properties are included on pages 187 to 190.

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### Fair value hierarchy

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

	Fair value measurement as at 31st December, 2025 using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Residential properties	–	–	593.0	593.0
Commercial properties	–	–	2,341.7	2,341.7
Hotel properties	–	–	157.8	157.8
Industrial properties	–	–	0.5	0.5
Right-of-use assets	–	–	2.9	2.9
Car parking space	–	–	2.2	2.2
<b>Total</b>	<b>–</b>	<b>–</b>	<b>3,098.1</b>	<b>3,098.1</b>

	Fair value measurement as at 31st December, 2024 using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Residential properties	–	–	867.5	867.5
Commercial properties	–	–	2,421.0	2,421.0
Hotel properties	–	–	131.1	131.1
Industrial properties	–	–	0.6	0.6
Right-of-use assets	–	–	2.9	2.9
Car parking space	–	–	2.2	2.2
<b>Total</b>	<b>–</b>	<b>–</b>	<b>3,425.3</b>	<b>3,425.3</b>

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2024 - Nil).

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

	Residential properties HK\$'million	Commercial properties HK\$'million	Hotel properties HK\$'million	Industrial properties HK\$'million	Right-of-use assets HK\$'million	Car parking space HK\$'million
Carrying amount at 1st January, 2024	1,104.0	2,628.9	128.1	0.6	5.0	2.2
Capital expenditure for the year	4.7	0.1	3.6	–	–	–
Lease modification	–	–	–	–	0.2	–
Disposals	(105.0)	(6.1)	–	–	–	–
Gains/(Losses) from fair value adjustments	(136.2)	(200.6)	19.5	–	(2.1)	–
Exchange realignment	–	(1.3)	(20.1)	–	(0.2)	–
Carrying amount at 31st December, 2024 and 1st January, 2025	867.5	2,421.0	131.1	0.6	2.9	2.2
Capital expenditure for the year	18.3	–	–	–	–	–
Lease modification	–	–	–	–	2.9	–
Disposals	(141.3)	–	–	–	–	–
Losses from fair value adjustments	(151.5)	(81.1)	(2.8)	(0.1)	(3.2)	–
Exchange realignment	–	1.8	29.5	–	0.3	–
Carrying amount at 31st December, 2025	<u>593.0</u>	<u>2,341.7</u>	<u>157.8</u>	<u>0.5</u>	<u>2.9</u>	<u>2.2</u>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

	Valuation techniques	Significant unobservable inputs	Range	
			2025	2024
Residential properties	Sales comparison approach	Estimated market price per square foot	HK\$18,514 to HK\$32,324	HK\$22,950 to HK\$33,667
Commercial properties	Discounted cash flow method	Capitalisation rate	2.5% to 3.95%	2.5% to 3.0%
		Discount rate	5.5% to 6.0%	5.5% to 6.0%
	Income capitalisation method	Estimated rental value per square metre and per month	HK\$474 to HK\$891	HK\$441 to HK\$985
		Capitalisation rate	5.5%	5.5%
Hotel properties	Discounted cash flow method	Estimated rental value per square metre and per month	RMB81 to RMB164	RMB85 to RMB169
		Capitalisation rate	8.25%	8.75%
		Discount rate	7.4% to 10.4%	10.6% to 10.9%
		Estimated rental value per square metre and per month	EUR8.30 to EUR9.61	EUR8.80 to EUR9.31
Industrial properties	Sales comparison approach	Estimated market price per square foot	HK\$120	HK\$130
Right-of-use assets	Discounted cash flow method	Discount rate	3.27%	2.89%
		Estimated rental value per month	EUR26,366	EUR25,748
Car parking space	Sales comparison approach	Estimated market price per unit	HK\$2,200,000	HK\$2,200,000

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

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

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

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

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

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

## 15. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

### (a) The Group as a lessee

The Group has lease contracts for various items of leasehold land and leased properties. Lump sum payments were made upfront to acquire the leased land from the owners, and no ongoing payments will be made under the terms of these land leases. Leases of leased properties generally have lease terms between 1 and 12 years. There are several lease contracts that include extension and termination options and variable lease payments.

#### (i) Right-of-use assets

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

	Leasehold land HK\$'million	Leased properties HK\$'million	Total HK\$'million
As at 1st January, 2024	15,359.6	14.6	15,374.2
Additions	–	3.7	3.7
Modification	–	1.3	1.3
Termination	–	(0.9)	(0.9)
Depreciation charge	(335.8)	(10.6)	(346.4)
As at 31st December, 2024 and 1st January, 2025	15,023.8	8.1	15,031.9
Additions	–	2.3	2.3
Modification	144.9	15.0	159.9
Depreciation charge	(334.4)	(9.2)	(343.6)
As at 31st December, 2025	<u>14,834.3</u>	<u>16.2</u>	<u>14,850.5</u>

Details of the leasehold land pledged to secure banking facilities of the Group are disclosed in note 13 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### (ii) Lease liabilities

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

	2025 HK\$'million	2024 HK\$'million
Carrying amount at 1st January	10.8	19.7
New leases	2.3	3.7
Modification	162.8	1.3
Termination	–	(0.9)
Interest expense	1.2	0.5
Payments	(12.8)	(13.4)
Exchange realignment	0.2	(0.1)
	<u>164.5</u>	<u>10.8</u>
Carrying amount at 31st December	<u>164.5</u>	<u>10.8</u>
Analysed into:		
Due within one year	11.3	7.9
Due in the second year	6.5	2.8
Due in the third to fifth years	146.7	0.1
	<u>164.5</u>	<u>10.8</u>

The maturity analysis of lease liabilities is disclosed in note 45 to the financial statements.

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

	2025 HK\$'million	2024 HK\$'million
Interest on lease liabilities	1.2	0.5
Depreciation of right-of-use assets	343.6	346.4
Expense relating to short-term leases (included in cost of sales and administrative expenses)	1.4	1.1
	<u>346.2</u>	<u>348.0</u>
Total amount recognised in profit or loss	<u>346.2</u>	<u>348.0</u>

(iv) The total cash outflow for leases is disclosed in note 38(e) to the financial statements.

**(b) The Group as a lessor**

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

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

Rental income recognised by the Group during the year was HK\$118.0 million (2024 - HK\$138.6 million), details of which are included in note 5 to the financial statements.

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

	<b>2025</b> <b>HK\$'million</b>	<b>2024</b> <b>HK\$'million</b>
Within one year	<b>53.0</b>	64.7
After one year but within two years	<b>16.4</b>	37.1
After two years but within three years	<b>5.7</b>	11.7
After three years but within four years	<b>1.4</b>	4.6
After four years but within five years	<b>1.2</b>	4.6
After five years	<b>4.0</b>	24.4
	<hr/>	<hr/>
Total	<b>81.7</b>	147.1
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 16. PROPERTIES UNDER DEVELOPMENT

Properties under development are analysed as follows:

	2025 HK\$'million	2024 HK\$'million
Balance at 1st January	2,739.1	3,329.4
Additions	21.4	60.0
Transfer to properties held for sale	(1,226.2)	(393.6)
Impairment loss	(6.4)	(228.2)
Exchange realignment	13.6	(28.5)
Balance at 31st December	<u>1,541.5</u>	<u>2,739.1</u>
Portion included in current assets	<u>(655.6)</u>	<u>(1,868.9)</u>
Non-current portion	<u>885.9</u>	<u>870.2</u>
Properties under development included under current assets expected to be completed within normal operating cycle and recovered:		
Within one year	–	1,207.6
After one year	<u>655.6</u>	<u>661.3</u>
Total	<u>655.6</u>	<u>1,868.9</u>

At 31st December, 2025, the Group's properties under development with a carrying amount of HK\$1,541.5 million (2024 - HK\$1,531.5 million) were pledged to secure banking facilities granted to the Group.

17. INVESTMENTS IN ASSOCIATES

	2025 HK\$'million	2024 HK\$'million
Share of net assets	94.4	88.2
Loan to an associate	306.5	306.5
Amounts due from associates	82.6	82.6
Provision for impairment	(197.2)	(197.0)
Total	<u>286.3</u>	<u>280.3</u>

As at 31st December, 2025 and 2024, the loan to an associate and the amounts due from associates were unsecured, interest-free and repayable on demand.

In the opinion of the Directors, the loan to an associate and the amounts due from associates are considered as part of the Group's net investments in the associates. As at 31st December, 2025 and 2024, the loss allowance for impairment of amounts due from associates of HK\$78.5 million (2024 - HK\$78.3 million) represented lifetime ECLs made for credit-impaired balances. Except for the above balances, there have been no significant increase in credit risk of the remaining balances. As at 31st December, 2025 and 2024, the loss allowance for such remaining balances was assessed to be minimal.

As at 31st December, 2025 and 2024, the recoverable amount of an investment in associate was determined based on the fair value less cost of disposal, which has taken into consideration the fair values of the underlying assets and liabilities.

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

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			2025	2024	
Dense Globe Investments Limited ("Dense Globe")	British Virgin Islands	US\$100	50.0	50.0	Investment holding
Fine Cosmos Development Limited <sup>^</sup>	Hong Kong	HK\$2	50.0	50.0	Hotel ownership and operation

<sup>^</sup> This is a wholly owned subsidiary of Dense Globe.

The percentage of equity interest above in respect of Dense Globe and its subsidiary represents that attributable to P&R, a 84.6% owned subsidiary of the Company.

The above associates are indirectly held by the Company.

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

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

	2025 HK\$'million	2024 HK\$'million
<b>Dense Globe and its subsidiary</b>		
Non-current assets	1,149.1	1,158.2
Current assets	32.3	22.1
Current liabilities	<u>(1,014.5)</u>	<u>(1,009.0)</u>
Net assets	<u>166.9</u>	<u>171.3</u>
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the associate	83.5	85.7
Loan to the associate	306.5	306.5
Provision for impairment	<u>(118.7)</u>	<u>(118.7)</u>
Carrying amount of the investment	<u>271.3</u>	<u>273.5</u>
Revenue	48.4	45.3
Loss for the year and total comprehensive loss for the year	<u>(4.4)</u>	<u>(32.8)</u>

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

	2025 HK\$'million	2024 HK\$'million
Share of the associates' profit for the year and total comprehensive income for the year	38.4	0.3
Aggregate carrying amount of the Group's investments in the associates	<u>15.0</u>	<u>6.8</u>

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

	2025 HK\$'million	2024 HK\$'million
Listed equity investment, at fair value AMTD IDEA Group	<u>4.0</u>	<u>4.8</u>

The above investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature. During the year, the Group did not receive any dividend (2024 - Nil) from this investment.

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

	2025 HK\$'million	2024 HK\$'million
<b>Non-current</b>		
Unlisted equity investments, at fair value	49.4	59.5
Unlisted fund investments, at fair value	242.7	365.6
Unlisted debt investments, at fair value	<u>0.2</u>	<u>0.2</u>
Total	<u>292.3</u>	<u>425.3</u>
<b>Current</b>		
Listed equity investments, at fair value	16.4	61.3
Listed debt investments, at fair value	<u>1.1</u>	<u>6.6</u>
Total	<u>17.5</u>	<u>67.9</u>

The unlisted equity, fund and debt investments at 31st December, 2025 and 2024 were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

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

At 31st December, 2025, certain of the Group's financial assets at fair value through profit or loss with a carrying value of HK\$36.0 million (2024 - HK\$25.6 million) were pledged to secure banking facilities granted to the Group.

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 20. LOANS RECEIVABLE

	2025 HK\$'million	2024 HK\$'million
Mortgage loans (Note (a))	162.4	187.6
Other secured loan (Note (b))	1.7	1.6
Provision for impairment	(7.0)	–
	<u>157.1</u>	<u>189.2</u>
Portion classified as non-current	(114.8)	(155.2)
Current portion	<u>42.3</u>	<u>34.0</u>

Notes:

- (a) The mortgage loans represent loans granted to purchasers in connection with the sale of the Group's properties. The loans are secured by mortgages over the properties sold and are repayable by instalments in 5 to 25 years (2024 - 5 to 25 years). The mortgage loans bear interest at rates ranging from the Hong Kong dollar prime lending rate minus 2% to the Hong Kong dollar prime lending rate plus 2% per annum (2024 - Hong Kong dollar prime lending rate minus 2% to the Hong Kong dollar prime lending rate plus 2% per annum).
- (b) The other secured loan bears interest at 5% per annum. The loan amount outstanding under the loan facility is secured by an equity pledge over a PRC company. The secured loan was originally due on 29th April, 2023. The extension of the term is currently under negotiation between the Cosmopolitan Group and the borrower, pending inter alia, finalisation of the revised repayment terms and applicable interest rate.

Impairment analysis is performed at each reporting date by considering the probability of default of counterparties. As at 31st December, 2025, the loss allowance for impairment of loans receivable of HK\$7.0 million (2024 - Nil) represented lifetime ECLs made for credit-impaired balance. Except for the above balance, there have been no significant increase in credit risk of the remaining balances.

21. GOODWILL

	2025 HK\$ million	2024 HK\$ million
At 31st December:		
Cost	261.0	261.0
Accumulated impairment	(261.0)	(261.0)
Net carrying amount	—	—

Impairment testing of goodwill

Goodwill acquired through business combinations was allocated to the Chinese Mainland property development and investment cash-generating unit (“CGU”) for impairment testing and was fully impaired in the prior years.

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 22. TRADEMARK

	2025 HK\$'million	2024 HK\$'million
Cost and carrying amount at 1st January and 31st December	<u>610.2</u>	<u>610.2</u>

#### Impairment testing of trademark

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

The recoverable amount of the Hong Kong hotel operation and management and hotel ownership CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The discount rates applied to the cash flow projections are 6% to 7% (2024 - 6% to 7%). The growth rates used to extrapolate the cash flows of the hotel operation and management and hotel ownership CGU beyond the five-year period are 3% to 3.6% (2024 - 3% to 3.6%). The rate does not exceed the long term growth rates for the relevant markets.

Assumptions were used in the value in use calculation of the Hong Kong hotel operation and management and hotel ownership CGU for the years ended 31st December, 2025 and 31st December, 2024. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of trademark:

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

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

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

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

At the end of each reporting period, the Directors considered a reasonably possible change in the key assumptions mentioned above would not cause the carrying amount of the CGU to exceed its recoverable amount.

**23. OTHER INTANGIBLE ASSETS**

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

**24. PROPERTIES HELD FOR SALE**

At 31st December, 2025, the Group's properties held for sale with a carrying amount of HK\$1,919.2 million (2024 - HK\$3,405.6 million) were pledged to secure banking facilities granted to the Group.

In 2014, the Group entered into a development agreement ("Development Agreement") with the Urban Renewal Authority ("URA"), for a development project in Sham Shui Po, Kowloon, Hong Kong, in the form of a joint operation. Under the Development Agreement, the Group was mainly responsible for the construction of the development project. Sales proceeds arising from the sale of the development projects will be distributed between URA and the Group pursuant to the terms of the Development Agreement. At 31st December, 2025, the carrying amount of the unsold units of this project included in properties held for sale amounted to HK\$45.4 million (2024 - HK\$49.4 million).

**25. INVENTORIES**

	<b>2025</b>	<b>2024</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Hotel and other merchandise	21.4	21.4
Work in progress	25.3	34.7
Finished goods	<u>0.7</u>	<u>0.7</u>
Total	<u>47.4</u>	<u>56.8</u>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 26. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments under current assets is an amount of HK\$139.6 million (2024 - HK\$113.7 million) representing the trade debtors of the Group.

	2025 HK\$'million	2024 HK\$'million
Trade debtors	147.2	126.2
Impairment	(7.6)	(12.5)
Net carrying amount	<u>139.6</u>	<u>113.7</u>

#### Credit terms

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

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

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

	2025 HK\$'million	2024 HK\$'million
Outstanding balances with ages:		
Within 3 months	77.6	93.2
4 to 6 months	35.2	8.1
7 to 12 months	22.4	8.7
Over 1 year	12.0	16.2
Impairment	<u>147.2</u> (7.6)	<u>126.2</u> (12.5)
Total	<u>139.6</u>	<u>113.7</u>

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

	2025 HK\$'million	2024 HK\$'million
At 1st January	12.5	15.7
Impairment losses/(Reversal of impairment losses), net (note 6)	0.6	(2.3)
Amount written off as uncollectible	(5.5)	(0.9)
At 31st December	<u>7.6</u>	<u>12.5</u>

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

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

**As at 31st December, 2025**

Credit impaired receivables	Current	Past due				Total	
		Within 3 months	4 to 6 months	7 to 12 months	Over 1 year		
Expected credit loss rate	100%	–	–	1.1%	2.7%	38.6%	5.2%
Gross carrying amount (HK\$'million)	3.2	36.5	41.1	35.2	22.4	8.8	147.2
Expected credit losses (HK\$'million)	3.2	–	–	0.4	0.6	3.4	7.6

**As at 31st December, 2024**

Credit impaired receivables	Current	Past due				Total	
		Within 3 months	4 to 6 months	7 to 12 months	Over 1 year		
Expected credit loss rate	100%	–	–	3.7%	9.2%	63.1%	9.9%
Gross carrying amount (HK\$'million)	3.2	–	93.2	8.1	8.7	13.0	126.2
Expected credit losses (HK\$'million)	3.2	–	–	0.3	0.8	8.2	12.5

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

Included in the balance are amounts due from a fellow subsidiary and a related company of HK\$0.6 million (2024 - HK\$0.9 million) and HK\$1.2 million (2024 - HK\$1.2 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

Also included in the balance is an amount of HK\$2.3 million (2024 - HK\$4.6 million) in relation to the prepaid commission for sale of properties which is classified as contract costs in accordance with HKFRS 15.

The financial assets included in the above balance, other than trade debtors, relate to receivables and deposits of HK\$200.9 million (2024 - HK\$479.5 million) for which there was no recent history of default and past due amounts except for an impairment of HK\$0.3 million (2024 - HK\$100.1 million) being made on the gross amounts due from certain counterparties of HK\$0.3 million (2024 - HK\$100.1 million) which management assessed these other receivables could not be recovered. As at 31st December, 2025 and 2024, the loss allowance of the remaining receivables and deposits was assessed to be minimal.

### 27. RESTRICTED CASH

At 31st December, 2025, the Group had cash of approximately HK\$332.1 million (2024 - HK\$433.8 million) which was restricted as to use and mainly to be utilised for the purpose of servicing the finance costs and repayments on certain interest bearing bank borrowings, funding the furniture, fixtures and equipment reserve for use in the hotel buildings, deposits of certain tenants in respect of certain investment properties and guarantee deposits for the construction costs of certain pre-sold properties.

### 28. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK\$54.9 million (2024 - HK\$77.1 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2025 HK\$'million	2024 HK\$'million
Outstanding balances with ages:		
Within 3 months	50.0	71.2
4 to 6 months	1.3	5.4
7 to 12 months	1.2	0.1
Over 1 year	2.4	0.4
Total	<u>54.9</u>	<u>77.1</u>

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

Included in the balance under current liabilities are amounts due to fellow subsidiaries and associates of HK\$102.8 million (2024 - HK\$6.6 million) and HK\$0.2 million (2024 - HK\$2.8 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

29. CONTRACT LIABILITIES

	31st December, 2025 HK\$'million	31st December, 2024 HK\$'million	1st January, 2024 HK\$'million
Contract liabilities arising from:			
Sale of properties	83.2	100.6	426.4
Hotel operations and management services	38.8	44.7	48.5
Loyalty point programmes	36.2	20.7	9.4
Total	<u>158.2</u>	<u>166.0</u>	<u>484.3</u>

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

30. INTEREST BEARING BANK BORROWINGS

	2025		2024	
	Maturity	HK\$'million	Maturity	HK\$'million
<b>Current</b>				
Bank loans – secured	2026	5,768.0	2025	5,976.4
<b>Non-current</b>				
Bank loans – secured	2027-2031	11,458.6	2026-2031	13,219.0
Total		<u>17,226.6</u>		<u>19,195.4</u>
			2025	2024
			HK\$'million	HK\$'million
Analysed into:				
Bank loans repayable:				
Within one year		5,768.0		5,976.4
In the second year		7,217.0		5,339.9
In the third to fifth years, inclusive		4,240.3		7,872.2
Beyond five years		1.3		6.9
Total		<u>17,226.6</u>		<u>19,195.4</u>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

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

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

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

As at 31st December, 2025, the outstanding loan facilities of Regal REIT group bore interest at HIBOR plus an interest margin ranging from 1.05% per annum to 1.8% per annum (2024 - ranging from 1.05% per annum to 1.8% per annum).

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

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

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

As at 31st December, 2025, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 1.55% per annum to 3.5% per annum except for a bank loan of HK\$36.6 million, which bore interest at Euro Interbank Offered Rate ("EURIBOR") plus an interest margin of 0.95% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for a bank loan of HK\$36.6 million which was denominated in Euro.

As at 31st December, 2024, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 1.25% per annum to 2.35% per annum except for a bank loan of HK\$40.4 million, which bore interest at EURIBOR plus an interest margin of 0.95% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for a bank loan of HK\$40.4 million which was denominated in Euro.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 40 to the consolidated financial statements.

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 31. OTHER BORROWINGS

	2025 HK\$ million	2024 HK\$ million
Secured notes (i)	312.0	468.0
Other borrowings - secured (ii)	88.0	73.0
Total	<u>400.0</u>	<u>541.0</u>
Analysed into:		
Other borrowings repayable:		
Within one year	400.0	229.0
In the second year	–	312.0
	<u>400.0</u>	<u>541.0</u>

- (i) On 19th September, 2022, Cosmopolitan International Finance Limited (“CIFL”), a wholly owned subsidiary of Cosmopolitan, issued a 3-year unsecured note (“Note A”) in an aggregate nominal principal amount of US\$20 million at a coupon interest rate of HIBOR plus 0.6% per annum.

On 14th April, 2023, CIFL issued a 3-year secured note (“Note B”) in an aggregate nominal principal amount of US\$40 million at a coupon interest rate of HIBOR plus 3.11% per annum.

Upon the issuance of Note B, the Cosmopolitan Group pledged the equity interest in a holding company of the Cosmopolitan Group’s property development project in Chengdu over both Note A and Note B.

Cosmopolitan Group has redeemed Note A in full in September, 2025.

As at 31st December, 2025, Note B maturing within the next twelve months was classified as a current liability and was in breach of a financial covenant related to the debt-to-asset ratio at the end of the reporting period. Subsequent to the end of the reporting period, waiver and confirmation have been secured from the noteholder on the debt-to-asset ratio breach and Note B was re-financed for a two-year term, commencing from 13th April, 2026. As of the date of approval of these financial statements, having obtained the waiver from the noteholder, there is no longer any breach of the debt-to-asset ratio related financial covenants under Note B as at 31st December, 2025.

- (ii) Other borrowings comprise the followings:
- (a) A revolving loan of HK\$63.0 million (2024 – Nil) drawn from a loan facility of HK\$80.0 million, secured by interests in companies holding certain property interests and other assets. The loan effectively bears interest at Hong Kong Dollar Best Lending Rate, as quoted by The Hongkong and Shanghai Banking Corporation Limited, plus an interest margin of 3% per annum. The loan facility matures in January 2027, subject to the lender’s right of early cancellation of the facility.

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

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

### 32. DERIVATIVE FINANCIAL INSTRUMENTS

	ASSETS	
	2025 HK\$'million	2024 HK\$'million
Interest rate swaps	-	10.2
Portion classified as non-current	-	(9.9)
	<hr/>	<hr/>
Current portion	-	0.3
	<hr/> <hr/>	<hr/> <hr/>
	LIABILITIES	
	2025 HK\$'million	2024 HK\$'million
Interest rate swaps	50.2	0.7
Portion classified as non-current	(49.2)	(0.7)
	<hr/>	<hr/>
Current portion	1.0	-
	<hr/> <hr/>	<hr/> <hr/>

The Group uses interest rate swaps to minimise its exposure to movements in interest rates in relation to certain portion of its floating rate term loans. As at 31st December, 2025, the interest rate swaps had an aggregate notional amount of HK\$4,473.0 million (2024 - HK\$2,748.7 million).

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 33. DEFERRED TAX

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

	Depreciation allowances in excess of related depreciation HK\$'million	Depreciation in excess of related depreciation allowances HK\$'million	Losses available for offsetting against future taxable profits HK\$'million	Fair value adjustments arising from acquisition of business/subsidiaries HK\$'million	Fair value adjustments arising from revaluation of property, plant and equipment HK\$'million	Total HK\$'million
Gross deferred tax assets/(liabilities) at 1st January, 2024	(686.6)	1.8	105.7	(816.6)	(2.5)	(1,398.2)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(18.1)	(0.1)	40.8	38.2	–	60.8
Exchange differences	–	–	–	0.2	0.2	0.4
Gross deferred tax assets/(liabilities) at 31st December, 2024 and 1st January, 2025	(704.7)	1.7	146.5	(778.2)	(2.3)	(1,337.0)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(14.2)	–	8.7	64.6	–	59.1
Exchange differences	–	–	–	(0.4)	(0.3)	(0.7)
Gross deferred tax assets/(liabilities) at 31st December, 2025	<u>(718.9)</u>	<u>1.7</u>	<u>155.2</u>	<u>(714.0)</u>	<u>(2.6)</u>	<u>(1,278.6)</u>

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

	2025 HK\$'million	2024 HK\$'million
Net deferred tax assets recognised in the consolidated statement of financial position	47.7	47.6
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(1,326.3)</u>	<u>(1,384.6)</u>
Net deferred tax liabilities	<u><u>(1,278.6)</u></u>	<u><u>(1,337.0)</u></u>

As at 31st December, 2025, the Group has unrecognised tax losses arising in Hong Kong amounting to HK\$9,194.7 million (2024 - HK\$8,626.6 million). The tax losses arising in Hong Kong, subject to the agreement by the Hong Kong Inland Revenue Department, are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31st December, 2024, the Group also had unrecognised tax losses arising in the United States of America amounting to HK\$0.8 million. The tax losses arising in the United States of America before 2018 are available for a maximum period of twenty years whilst those arising from 2018 onwards are available indefinitely and tax losses amounting to HK\$0.8 million (2024 - HK\$0.3 million) were expired during the year. Deferred tax assets in respect of the above tax losses amounting to HK\$1,517.1 million (2024 - HK\$1,423.7 million) have not been recognised on account of the unpredictability of future profit streams. The Group also has tax losses arising in Chinese Mainland of HK\$331.5 million (2024 - HK\$335.3 million) that will expire in one to five years for offsetting against future taxable profits.

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 Chinese Mainland. 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 Chinese Mainland 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 Chinese Mainland in respect of earnings generated from 1st January, 2008.

At 31st December, 2025, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. 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 Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately HK\$868.9 million at 31st December, 2025 (2024 - HK\$846.1 million).

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

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 34. SHARE CAPITAL AND SHARE PREMIUM

	2025 HK\$'million	2024 HK\$'million
<b>Shares</b>		
Authorised:		
2,000.0 million ordinary shares of HK\$0.10 each	200.0	200.0
4,750.0 million non-voting convertible preference shares of HK\$0.10 each	475.0	475.0
	<u>675.0</u>	<u>675.0</u>
Issued and fully paid:		
1,114.6 million (2024 - 1,114.6 million) ordinary shares of HK\$0.10 each	<u>111.4</u>	<u>111.4</u>
<b>Share premium</b>		
Ordinary shares	<u>1,356.1</u>	<u>1,356.1</u>

There were no movements in the Company's share capital and share premium account during the years ended 31st December, 2025 and 2024.

### 35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 58 and 59.

#### *Special reserve*

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

### 36. PERPETUAL SECURITIES

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

There was no movement in the number of perpetual securities during the year ended 31st December, 2025 and 2024.

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

**37. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS**

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

	<b>2025</b>	<b>2024</b>
Percentage of equity interest held by non-controlling interests of RHIHL	<u>30.7%</u>	<u>30.7%</u>
	<b>2025</b>	<b>2024</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Loss for the year allocated to non-controlling interests of the RHIHL Group	<u>(500.2)</u>	<u>(673.6)</u>
Accumulated balances of non-controlling interests of the RHIHL Group at the reporting date	<u>2,593.0</u>	<u>3,078.9</u>

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

	<b>2025</b>	<b>2024</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Revenue	2,758.5	1,825.8
Loss for the year	(1,386.8)	(1,886.9)
Total comprehensive loss for the year	<u>(1,361.5)</u>	<u>(1,621.5)</u>
Non-current assets	25,496.1	26,989.2
Current assets	1,325.8	2,016.8
Current liabilities	(5,907.9)	(5,468.7)
Non-current liabilities	<u>(10,596.5)</u>	<u>(11,898.8)</u>
Net cash flows from operating activities	1,359.5	428.6
Net cash flows from investing activities	333.1	574.2
Net cash flows used in financing activities	<u>(1,934.1)</u>	<u>(1,538.3)</u>
Net decrease in cash and cash equivalents	<u>(241.5)</u>	<u>(535.5)</u>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

(a) Cash and cash equivalent balances

	2025 HK\$'million	2024 HK\$'million
Cash and bank balances	301.8	629.8
Non-pledged time deposits with an original maturity of less than three months when acquired	18.0	47.4
Cash and cash equivalents	<u>319.8</u>	<u>677.2</u>

At the end of the reporting period, the cash and cash equivalents balances of the Group amounting to HK\$23.9 million (2024 - HK\$37.0 million) were held by certain subsidiaries operating in Chinese Mainland where exchange controls apply.

(b) Changes in liabilities arising from financing activities

2025

	Interest bearing bank borrowings HK\$'million	Other borrowings HK\$'million	Lease liabilities HK\$'million	Interest payable on bank borrowings and other borrowings HK\$'million
At 1st January, 2025	19,195.4	541.0	10.8	57.8
Changes from financing cash flows	(2,026.1)	(22.2)	(12.8)	(914.1)
New lease/modification	–	–	165.1	–
Offset with other receivable	–	(118.8)	–	(15.7)
Finance costs	52.1	–	1.2	910.4
Foreign exchange movement	5.2	–	0.2	(0.5)
At 31st December, 2025	<u>17,226.6</u>	<u>400.0</u>	<u>164.5</u>	<u>37.9</u>

2024

	Interest bearing bank borrowings HK\$'million	Other borrowings HK\$'million	Lease liabilities HK\$'million	Interest payable on bank borrowings and other borrowings HK\$'million
At 1st January, 2024	19,650.4	468.0	19.7	59.1
Changes from financing cash flows	(506.2)	73.0	(13.4)	(1,209.0)
New lease/modification	–	–	4.1	–
Finance costs	51.1	–	0.5	1,209.9
Foreign exchange movement	0.1	–	(0.1)	(2.2)
	<u>19,195.4</u>	<u>541.0</u>	<u>10.8</u>	<u>57.8</u>
At 31st December, 2024	<u>19,195.4</u>	<u>541.0</u>	<u>10.8</u>	<u>57.8</u>

(c) Disposal of a subsidiary

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

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

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

(d) Major non-cash transaction

- (i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$2.3 million (2024 - HK\$3.7 million) and HK\$2.3 million (2024 - HK\$3.7 million), respectively, in respect of lease arrangements for leased properties.
- (ii) During the year, the Group also had non-cash modifications to right-of-use assets (included those in investment properties) and lease liabilities of HK\$162.8 million (2024 - HK\$1.3 million) and HK\$162.8 million (2024 - HK\$1.3 million), respectively, in respect of lease arrangements for leased properties.
- (iii) During the year, the redemption of Note A of HK\$156.0 million was settled by offsetting the amount due from a brokerage company included in debtors, deposits and prepayments of HK\$118.8 million and cash of HK\$37.2 million.

(e) Total cash outflow for leases

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

	<b>2025</b> <b>HK\$'million</b>	<b>2024</b> <b>HK\$'million</b>
Within operating activities	1.4	1.1
Within financing activities	<u>12.8</u>	<u>13.4</u>
Total	<u><u>14.2</u></u>	<u><u>14.5</u></u>

39. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) The Group had the following material connected and related party transactions during the year:

	Notes	2025 HK\$'million	2024 HK\$'million
A wholly owned subsidiary of CCIHL:			
Management fees	(i)	62.7	64.9
Associates:			
Advertising and promotion fees (including cost reimbursements)	(ii)	0.9	3.1
Interest income	(iii)	—	22.2
		<u>          </u>	<u>          </u>

Notes:

- (i) The management fees included rentals and other overheads allocated from a wholly owned subsidiary of CCIHL, either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, 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.
- (ii) The advertising and promotion fees paid to an associate comprised a retainer fee determined by reference to the estimated volume of advertising and promotional activities of the RHIHL Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.
- (iii) Interest income was calculated at HIBOR plus an interest margin of 2% per annum on the loan to an associate which was fully repaid in the prior year.

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

(b) Outstanding balances, before impairment, with related parties:

	Notes	2025 HK\$'million	2024 HK\$'million
Loan to an associate	(i)	306.5	306.5
Due from associates	(i)	82.6	82.6
Due from a fellow subsidiary	(ii)	0.6	0.9
Due from a related company	(ii)	1.2	1.2
Due to fellow subsidiaries	(iii)	(102.8)	(6.6)
Due to associates	(iii)	(0.2)	(2.8)
		<u>          </u>	<u>          </u>

Notes:

- (i) The balances are 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.

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

	2025 HK\$'million	2024 HK\$'million
Short term employee benefits	41.8	44.6
Staff retirement scheme contributions	2.9	3.1
Total compensation paid to key management personnel	<u>44.7</u>	<u>47.7</u>

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.98 of the Listing Rules.

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

#### 40. PLEDGE OF ASSETS

As at 31st December, 2025, the Group's properties under development and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$26,847.7 million were pledged to secure general banking facilities and other loan facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, the equity interests in the relevant holding companies of certain property interests and financial assets at fair value through profit or loss as well as other assets were also pledged to secure certain bank and other borrowings of the Group.

As at 31st December, 2024, 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\$29,144.6 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, 2024, certain ordinary shares in a listed subsidiary with a market value of HK\$220.3 million were also pledged to secure general banking facilities granted to the Group. The equity interests in the relevant holding companies of certain property development projects were also pledged to secure the other borrowings of the Group.

#### 41. CONTINGENT LIABILITIES

As at 31st December, 2025, the Group had contingent liabilities for corporate guarantees provided in respect of a banking facility granted to an associate in the amount of HK\$389.5 million (2024 - HK\$389.5 million) which was fully utilised. In the prior year, a corporate guarantee was also given to a bank by the Group for a performance bond issued by the bank in relation to a property development contract undertaken by the Group amounting to HK\$15.0 million.

As at 31st December, 2025, the Group was involved in legal proceedings with the Hong Kong tax authorities regarding the tax treatment of interest expenses on certain intercompany arrangements. While an administrative ruling was issued in March 2026, the Group is continuing the legal process to clarify the matter through the Court of First Instance.

Based on legal advice, the Directors believe there are valid grounds to support the Group's position and consider that no tax provision is required at this stage. As at 31st December, 2025, the Group had made total payments of HK\$22.1 million (including tax reserve certificates and prepaid tax) in relation to this matter, which are recorded in tax recoverable.

In addition, at the end of the reporting period, the Cosmopolitan Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of its properties amounting to approximately RMB123.7 million (HK\$137.6 million) (2024 - RMB161.9 million (HK\$171.8 million)). The Cosmopolitan Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

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

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

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

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### 42. COMMITMENTS

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

	2025 HK\$'million	2024 HK\$'million
Property development projects	<u>124.4</u>	<u>101.6</u>

### 43. FINANCIAL INSTRUMENTS BY CATEGORY

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

#### 2025

#### Financial assets

	Financial assets at fair value through other comprehensive income - equity investment HK\$'million	Financial assets at fair value through profit or loss - mandatorily designated as such HK\$'million	Financial assets at amortised cost HK\$'million	Total HK\$'million
Loan to an associate	-	-	306.5	306.5
Amounts due from associates	-	-	4.1	4.1
Financial assets designated at fair value through other comprehensive income	4.0	-	-	4.0
Financial assets at fair value through profit or loss	-	309.8	-	309.8
Loans receivable	-	-	157.1	157.1
Trade debtors	-	-	139.6	139.6
Other financial assets included in debtors, deposits and prepayments	-	-	200.9	200.9
Restricted cash	-	-	332.1	332.1
Pledged time deposits and bank balances	-	-	295.2	295.2
Time deposits	-	-	18.0	18.0
Cash and bank balances	-	-	301.8	301.8
Total	<u>4.0</u>	<u>309.8</u>	<u>1,755.3</u>	<u>2,069.1</u>

**Financial liabilities**

	Financial liabilities at fair value through profit or loss - mandatorily designated as such HK\$'million	Financial liabilities at amortised cost HK\$'million	Total HK\$'million
Trade creditors	–	54.9	54.9
Other financial liabilities included in creditors and accruals	–	609.6	609.6
Lease liabilities	–	164.5	164.5
Deposits received	–	120.8	120.8
Interest bearing bank borrowings	–	17,226.6	17,226.6
Other borrowings	–	400.0	400.0
Derivative financial instruments	50.2	–	50.2
Total	50.2	18,576.4	18,626.6

**2024**

**Financial assets**

	Financial assets at fair value through other comprehensive income - equity investment HK\$'million	Financial assets at fair value through profit or loss - mandatorily designated as such HK\$'million	Financial assets at amortised cost HK\$'million	Total HK\$'million
Loan to an associate	–	–	306.5	306.5
Amounts due from associates	–	–	4.3	4.3
Financial assets designated at fair value through other comprehensive income	4.8	–	–	4.8
Financial assets at fair value through profit or loss	–	493.2	–	493.2
Derivative financial instruments	–	10.2	–	10.2
Loans receivable	–	–	189.2	189.2
Finance lease receivable	–	–	101.7	101.7
Trade debtors	–	–	113.7	113.7
Other financial assets included in debtors, deposits and prepayments	–	–	479.5	479.5
Restricted cash	–	–	433.8	433.8
Pledged time deposits and bank balances	–	–	293.2	293.2
Time deposits	–	–	47.4	47.4
Cash and bank balances	–	–	629.8	629.8
Total	4.8	503.4	2,599.1	3,107.3

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

### Financial liabilities

	Financial liabilities at fair value through profit or loss - mandatorily designated as such HK\$'million	Financial liabilities at amortised cost HK\$'million	Total HK\$'million
Trade creditors	–	77.1	77.1
Other financial liabilities included in creditors and accruals	–	645.6	645.6
Lease liabilities	–	10.8	10.8
Deposits received	–	88.6	88.6
Interest bearing bank borrowings	–	19,195.4	19,195.4
Other borrowings	–	541.0	541.0
Derivative financial instruments	0.7	–	0.7
	<u>0.7</u>	<u>20,558.5</u>	<u>20,559.2</u>
Total	<u>0.7</u>	<u>20,558.5</u>	<u>20,559.2</u>

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

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

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

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

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

**Fair value hierarchy**

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

***Assets measured at fair value as at 31st December, 2025***

	Fair value measurement using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Financial assets designated at fair value through other comprehensive income:				
Listed equity investment	4.0	-	-	4.0
Financial assets at fair value through profit or loss:				
Listed equity investments	16.4	-	-	16.4
Listed debt investments	-	1.1	-	1.1
Unlisted equity investments	-	-	49.4	49.4
Unlisted fund investments	-	-	242.7	242.7
Unlisted debt investments	-	-	0.2	0.2
<b>Total</b>	<b>20.4</b>	<b>1.1</b>	<b>292.3</b>	<b>313.8</b>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

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

	Fair value measurement using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Financial assets designated at fair value through other comprehensive income:				
Listed equity investment	4.8	–	–	4.8
Financial assets at fair value through profit or loss:				
Listed equity investments	61.3	–	–	61.3
Listed debt investments	–	6.6	–	6.6
Unlisted equity investments	–	–	59.5	59.5
Unlisted fund investments	–	–	365.6	365.6
Unlisted debt investments	–	–	0.2	0.2
Derivative financial instruments	–	10.2	–	10.2
<b>Total</b>	<b>66.1</b>	<b>16.8</b>	<b>425.3</b>	<b>508.2</b>

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

	2025 HK\$'million	2024 HK\$'million
At 1st January	425.3	626.4
Purchases	0.7	1.2
Distributions	(78.5)	(17.4)
Unrealised gains/(losses) recognised in profit or loss	30.7	(140.7)
Unrealised losses recognised in other comprehensive income	–	(0.5)
Disposal	(85.9)	(43.7)
<b>At 31st December</b>	<b>292.3</b>	<b>425.3</b>

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

	Fair value measurement using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	–	50.2	–	50.2

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

	Fair value measurement using			Total HK\$'million
	Quoted prices in active markets (Level 1) HK\$'million	Significant observable inputs (Level 2) HK\$'million	Significant unobservable inputs (Level 3) HK\$'million	
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	–	0.7	–	0.7

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2024 - Nil).

**Valuation techniques**

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

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

The fair value of certain unlisted equity investment is determined based on the recoverability assessment performed by management.

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

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

### 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

#### Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with floating interest rates. The interest rates and terms of repayment of the Group's interest bearing bank borrowings and other borrowings are disclosed in notes 30 and 31 to the financial statements. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rate.

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

For Hong Kong dollar borrowings, assuming the amount of bank borrowings, other borrowings and interest rate swap outstanding at the end of the reporting period was outstanding for the whole year, a 100 basis point increase in interest rates would have increased the Group's loss before tax for the current year by HK\$148.0 million (2024 - HK\$198.2 million). A 10 basis point decrease in interest rates would have decreased the Group's loss before tax for the current year by HK\$14.8 million (2024 - HK\$19.8 million).

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

#### Foreign currency risk

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

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

#### Credit risk

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

*Maximum exposure and year-end staging*

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

**As at 31st December, 2025**

	12-month	Lifetime ECLs			Total HK\$'million
	ECLs	Stage 1	Stage 2	Stage 3	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Loan to an associate	306.5	–	–	–	306.5
Amounts due from associates					
– Normal <sup>#</sup>	4.1	–	–	–	4.1
– Doubtful <sup>#</sup>	–	–	78.5	–	78.5
Loans receivable					
– Normal <sup>#</sup>	157.1	–	–	–	157.1
– Doubtful <sup>#</sup>	–	–	7.0	–	7.0
Trade debtors*	–	–	–	139.6	139.6
Other financial assets included in debtors, deposits and prepayments					
– Normal <sup>#</sup>	200.9	–	–	–	200.9
– Doubtful <sup>#</sup>	–	–	0.3	–	0.3
Restricted cash					
– Not yet past due	332.1	–	–	–	332.1
Pledged time deposits and bank balances					
– Not yet past due	295.2	–	–	–	295.2
Time deposits					
– Not yet past due	18.0	–	–	–	18.0
Cash and bank balances					
– Not yet past due	301.8	–	–	–	301.8
Guarantees given to banks in connection with mortgage facilities provided to certain purchasers of the Group's properties	137.6	–	–	–	137.6
Guarantee given to a bank in connection with a bank borrowing provided to an associate	389.5	–	–	–	389.5
<b>Total</b>	<b>2,142.8</b>	<b>–</b>	<b>85.8</b>	<b>139.6</b>	<b>2,368.2</b>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

As at 31st December, 2024

	12-month	Lifetime ECLs			Total
	ECLs	ECLs			
	Stage 1	Stage 2	Stage 3	Simplified	
	HK\$'million	HK\$'million	HK\$'million	approach	HK\$'million
				HK\$'million	
Loan to an associate	306.5	–	–	–	306.5
Amounts due from associates					
– Normal <sup>#</sup>	4.3	–	–	–	4.3
– Doubtful <sup>#</sup>	–	–	78.3	–	78.3
Loans receivable					
– Normal <sup>#</sup>	189.2	–	–	–	189.2
Finance lease receivable	101.7	–	–	–	101.7
Trade debtors*	–	–	–	113.7	113.7
Other financial assets included in					
debtors, deposits and prepayments					
– Normal <sup>#</sup>	479.5	–	–	–	479.5
– Doubtful <sup>#</sup>	–	–	100.1	–	100.1
Restricted cash					
– Not yet past due	433.8	–	–	–	433.8
Pledged time deposits and bank balances					
– Not yet past due	293.2	–	–	–	293.2
Time deposits					
– Not yet past due	47.4	–	–	–	47.4
Cash and bank balances					
– Not yet past due	629.8	–	–	–	629.8
Guarantees given to banks in connection					
with mortgage facilities provided to certain					
purchasers of the Group's properties	171.8	–	–	–	171.8
Guarantee given to a bank in connection					
with a bank borrowing provided					
to an associate	389.5	–	–	–	389.5
<b>Total</b>	<b>3,046.7</b>	<b>–</b>	<b>178.4</b>	<b>113.7</b>	<b>3,338.8</b>

\* For trade debtors to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 26 to the financial statements.

<sup>#</sup> The credit quality of amounts due from associates, the loans receivable and other financial assets included in debtors, deposits and prepayments is considered to be "normal" when they are not past due and there is no information indicating that the loans receivable and other financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

**Liquidity risk**

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

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

	2025			Total HK\$'million
	Within 1 year or on demand HK\$'million	1 to 5 years HK\$'million	Over 5 years HK\$'million	
<b>Financial liabilities</b>				
Trade creditors	54.9	–	–	54.9
Other financial liabilities included in creditors and accruals	609.6	–	–	609.6
Lease liabilities	11.9	188.2	–	200.1
Deposits received	103.0	17.0	0.8	120.8
Interest bearing bank borrowings	6,452.8	12,281.3	4.2	18,738.3
Other borrowings	416.9	0.4	–	417.3
Guarantees given to banks in connection with mortgage facilities provided to certain purchasers of the Group's properties	137.6	–	–	137.6
Guarantee given to a bank in connection with a bank borrowing provided to an associate	389.5	–	–	389.5
<b>Total</b>	<b>8,176.2</b>	<b>12,486.9</b>	<b>5.0</b>	<b>20,668.1</b>
<b>Derivative cash flows</b>				
Derivative financial instruments settled on net basis	2.0	2.0	–	4.0

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

	2024			Total HK\$'million
	Within 1 year or on demand HK\$'million	1 to 5 years HK\$'million	Over 5 years HK\$'million	
<b>Financial liabilities</b>				
Trade creditors	77.1	–	–	77.1
Other financial liabilities included in creditors and accruals	645.6	–	–	645.6
Lease liabilities	7.9	2.9	–	10.8
Deposits received	64.0	23.8	0.8	88.6
Interest bearing bank borrowings	7,276.5	14,012.0	9.2	21,297.7
Other borrowings	278.5	323.8	–	602.3
Guarantees given to banks in connection with mortgage facilities provided to certain purchasers of the Group's properties	171.8	–	–	171.8
Guarantee given to a bank in connection with a bank borrowing provided to an associate	389.5	–	–	389.5
Total	<u>8,910.9</u>	<u>14,362.5</u>	<u>10.0</u>	<u>23,283.4</u>
<b>Derivative cash flows</b>				
Derivative financial instruments settled on net basis	<u>5.7</u>	<u>9.5</u>	<u>–</u>	<u>15.2</u>

### Equity price risk

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

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

	Carrying amount of equity investments HK\$'million	Change in loss before tax HK\$'million	Change in equity* HK\$'million
<b>2025</b>			
Listed investments:			
– Financial assets designated at fair value through other comprehensive income	4.0	–	0.2
– Financial assets at fair value through profit or loss	16.4	0.8	–
Unlisted investments:			
– Financial assets at fair value through profit or loss	<u>49.4</u>	<u>2.5</u>	<u>–</u>
<b>2024</b>			
Listed investments:			
– Financial assets designated at fair value through other comprehensive income	4.8	–	0.2
– Financial assets at fair value through profit or loss	61.3	3.1	–
Unlisted investments:			
– Financial assets at fair value through profit or loss	<u>59.5</u>	<u>3.0</u>	<u>–</u>

\* 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 and RHIHL for banking facilities granted to certain subsidiaries and an associate to maintain a minimum consolidated tangible net worth, which has been complied with during the year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2025 and 31st December, 2024.

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

	<b>2025</b> <b>HK\$'million</b>	<b>2024</b> <b>HK\$'million</b>
Interest bearing bank borrowings and other borrowings	<b>17,626.6</b>	19,736.4
Less: Cash, bank balances and deposits	<b>(947.1)</b>	(1,404.2)
Net debt	<b><u>16,679.5</u></b>	<u>18,332.2</u>
Total assets	<b><u>32,461.5</u></b>	<u>36,120.8</u>
Net debt to total assets ratio	<b><u>51.4%</u></b>	<u>50.8%</u>

**46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

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

	<b>2025</b> <b>HK\$'million</b>	<b>2024</b> <b>HK\$'million</b>
NON-CURRENT ASSETS		
Investments in subsidiaries	<u>3,211.1</u>	<u>3,215.9</u>
CURRENT ASSETS		
Deposits and prepayments	<u>1.2</u>	<u>1.2</u>
CURRENT LIABILITIES		
Creditors and accruals	<u>(2.1)</u>	<u>(2.4)</u>
NET CURRENT LIABILITIES	<u>(0.9)</u>	<u>(1.2)</u>
Net assets	<u><u>3,210.2</u></u>	<u><u>3,214.7</u></u>
EQUITY		
Issued capital	111.4	111.4
Reserves (note)	<u>3,098.8</u>	<u>3,103.3</u>
Total equity	<u><u>3,210.2</u></u>	<u><u>3,214.7</u></u>

Note:

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

	<b>Share premium account</b> <b>HK\$'million</b>	<b>Contributed surplus</b> <b>HK\$'million</b>	<b>Capital redemption reserve</b> <b>HK\$'million</b>	<b>Retained profits</b> <b>HK\$'million</b>	<b>Total</b> <b>HK\$'million</b>
At 1st January, 2024	1,356.1	1,738.4	4.3	8.6	3,107.4
Loss and total comprehensive loss for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>(4.1)</u>	<u>(4.1)</u>
At 31st December 2024 and 1st January, 2025	1,356.1	1,738.4	4.3	4.5	3,103.3
Loss and total comprehensive loss for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>(4.5)</u>	<u>(4.5)</u>
At 31st December, 2025	<u><u>1,356.1</u></u>	<u><u>1,738.4</u></u>	<u><u>4.3</u></u>	<u><u>–</u></u>	<u><u>3,098.8</u></u>

## NOTES TO FINANCIAL STATEMENTS (Cont'd)

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.

### 47. EVENT AFTER THE REPORTING PERIOD

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

### 48. APPROVAL OF THE FINANCIAL STATEMENTS

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



## To the shareholders of Paliburg Holdings Limited

(Incorporated in Bermuda with limited liability)

### Opinion

We have audited the consolidated financial statements of Paliburg Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 178, which comprise the consolidated statement of financial position as at 31st December, 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for opinion

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

### Key audit matters

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

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

### Key audit matter

#### *Impairment assessment of certain other non-financial assets*

The Group has property development projects in Chinese Mainland and hotel properties in Hong Kong. As at 31st December, 2025, properties held for sale with an aggregate carrying amount after impairment of HK\$2,537.6 million were allocated to the "PRC property development and investment" cash-generating unit; and hotel properties (included in property, plant and equipment and right-of-use assets) and trademark with an aggregate carrying amount after impairment of HK\$20,387.2 million were allocated to the "Hong Kong hotel operation and management and hotel ownership" cash-generating unit.

The impairment assessment of these non-financial assets is significant to our audit due to (i) the significance of the carrying amounts as at 31st December, 2025; and (ii) the determination of the recoverable amounts of the relevant cash-generating units being dependent on a range of inherently subjective estimates, such as estimated selling prices and costs necessary to sell these properties, estimated rental values, estimated room rates, estimated occupancy rates, estimated future cash flows, discount rates and capitalisation rates.

Related disclosures are included in notes 2.4, 3, 13, 15, 22 and 24 to the consolidated financial statements.

### Other information included in the Annual Report

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

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

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

### How our audit addressed the key audit matter

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

### **Responsibilities of the directors for the consolidated financial statements**

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

## INDEPENDENT AUDITOR'S REPORT (Cont'd)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Tsz Tat (practising certificate number: P07060).

### **Ernst & Young**

*Certified Public Accountants*

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

30th March, 2026

## SCHEDULE OF PRINCIPAL PROPERTIES

*As at 31st December, 2025*

### PROPERTIES FOR DEVELOPMENT AND/OR SALE

	<b>Description</b>	<b>Use</b>	<b>Approx. area</b>	<b>Stage of completion (completion date of development project)</b>	<b>Percentage of interest attributable to the Company</b>
(1)	Domus and Casa Regalia Nos.65-89 Tan Kwai Tsuen Road, Yuen Long, New Territories, Hong Kong	Residential	Site area for the whole development at Nos.65-89 Tan Kwai Tsuen Road - approx. 11,192 sq. m. (120,470 sq. ft.)  Remaining 7 houses (gross floor area - approx. 1,741 sq. m. (18,740 sq. ft.)) and 21 car parking spaces held	Occupation permit issued in November 2015  Certificate of compliance obtained in April 2016	84.6
(2)	Mount Regalia 23 Lai Ping Road, Kau To, Sha Tin, New Territories, Hong Kong	Residential	Site area - approx. 17,476 sq. m. (188,100 sq. ft.)  Remaining 62 units and 4 houses (gross floor area - approx. 10,400 sq. m. (111,946 sq. ft.)) and 86 car parking spaces held	Occupation permit issued in September 2018  Certificate of compliance obtained in February 2019	84.6
(3)	The Ascent No.83 Shun Ning Road, Sham Shui Po, Kowloon, Hong Kong	Commercial/ residential	Site area - approx. 824.9 sq. m. (8,879 sq. ft.)  Remaining 2 commercial units (gross floor area - approx. 652 sq. m. (7,018 sq. ft.)) and 5 car parking spaces held	Occupation permit issued in March 2018  Certificate of compliance obtained in July 2018	84.6

## SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

*As at 31st December, 2025*

	<b>Description</b>	<b>Use</b>	<b>Approx. area</b>	<b>Stage of completion (completion date of development project)</b>	<b>Percentage of interest attributable to the Company</b>
(4)	Nos.291-293 and Nos.301-303 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong	Commercial/residential	Site area - approx. 488 sq. m. (5,257 sq. ft.)  Gross floor area for proposed new development - approx. 4,395 sq. m. (47,307 sq. ft.)	In planning stage	84.6
(5)	Nos.9-19 Kam Wa Street, Shau Kei Wan, Hong Kong	Commercial/residential	Site area - approx. 518 sq. m. (5,580 sq. ft.)  Gross floor area for proposed new development - approx. 4,329 sq. m. (46,597 sq. ft.)	Demolition works of existing buildings completed and scheme for new development being finalised	84.6
(6)	Certain apartment units and car and motorcycle parking spaces at Larvotto, 8 Praya Road, Ap Lei Chau, Hong Kong	Primarily residential	Site area for whole development - approx. 16,770 sq. m. (180,511 sq. ft.)  Gross floor area of 1 remaining apartment unit held - approx. 41 sq. m. (441 sq. ft.)	Completed in March 2011	30.0

## SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

*As at 31st December, 2025*

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(7) The Queens No.160 Queen's Road West, Hong Kong	Commercial/ residential	Site area - approx. 682 sq. m. (7,342 sq. ft.)  Remaining 6 commercial units (gross floor area - approx. 789 sq. m. (8,493 sq. ft.)) held	Completed in 2022	69.3
(8) Nos.227-227C Hai Tan Street, Sham Shui Po, Kowloon, Hong Kong	Commercial/ residential	Site area - approx. 431 sq. m. (4,644 sq. ft.)  Gross floor area for proposed new development - approx. 3,691 sq. m. (39,733 sq. ft.)	In planning stage	69.3
(9) Fabrik Rua Dos Fanqueiros 156, Lisbon, Portugal	Commercial/ residential	Gross development area - approx. 1,836 sq. m. (19,768 sq. ft.)	Renovation works completed in August 2024	69.3

## SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

*As at 31st December, 2025*

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(10) Regal Cosmopolitan City at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Residential/commercial/office/hotel	<p>Site area for the whole development - approx. 111,869 sq. m. (1,204,148 sq. ft.)</p> <p>Stages one and two</p> <ul style="list-style-type: none"> <li>a 325-room hotel</li> <li>remaining 1 residential unit and 18 commercial units (Total gross floor area - approx. 3,384 sq. m. (36,425 sq. ft.)) (Casa Regalia (Phase 1))</li> </ul> <p>Stage three</p> <ul style="list-style-type: none"> <li>a six-storey commercial complex with gross floor area of approx. 52,500 sq. m. (565,100 sq. ft.) and remaining office accommodations with gross floor area of approx. 67,970 sq. m. (731,600 sq. ft.)</li> <li>remaining 3 commercial units and 810 car parking spaces (Total gross floor area - approx. 115 sq. m. (1,238 sq. ft.)) (Casa Regalia (Phase 2))</li> </ul>	<p>Stages one and two</p> <ul style="list-style-type: none"> <li>Construction works for 9 residential towers having 1,296 residential units completed in 2017</li> <li>Completion Certificate for the hotel obtained in January 2024</li> </ul> <p>Stage three</p> <ul style="list-style-type: none"> <li>The construction works of the commercial and office accommodations in steady progress</li> <li>Superstructure and fitting-out works for 10 residential towers, car parking spaces and commercial accommodations completed in December 2021</li> <li>Completion Certificate for the commercial complex and the office accommodations obtained in May 2025</li> </ul>	63.0

## SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

*As at 31st December, 2025*

Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(11) Regal Renaissance at the intersection between Weiguo Road and Xinkai Road, Hedong District, Tianjin, PRC	Commercial/ office/ residential	Site area for the whole development - approx. 31,700 sq. m. (341,000 sq. ft.)  • remaining 475 commercial and office units, and 1,096 car parking spaces (Total gross floor area - approx. 66,500 sq. m. (715,800 sq. ft.))	Residential towers, commercial complex and residential car parking spaces completed in 2018  Completion Certificate for two office towers and the four-storey commercial podium obtained in March 2022	63.0

*As at 31st December, 2025*

### PROPERTIES FOR INVESTMENT

Description	Use	Lease	Percentage of interest attributable to the Company
(1) We Go MALL No.16 Po Tai Street, Ma On Shan, Sha Tin, New Territories, Hong Kong	Commercial	Medium term	84.6
(2) iclub Mong Kok Hotel 2 Anchor Street, Mong Kok, Kowloon, Hong Kong	Hotel	Long term	84.6

## SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

*As at 31st December, 2025*

	<b>Description</b>	<b>Use</b>	<b>Lease</b>	<b>Percentage of interest attributable to the Company</b>
(3)	Certain commercial units of Phases 1 and 2 of Regal Renaissance, Intersection of Xinkai Road and Weiguo Road, Hedong District, Tianjin, PRC	Commercial	Medium term	63.0
(4)	8 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Medium term	69.3
(5)	Regala Skycity Hotel 8 Airport Expo Boulevard, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	Medium term	69.3
(6)	Car parking space No. 1 G/F, Block 1, Kin Ho Industrial Building, Nos.14-24 Au Pui Wan Street, Shatin, New Territories, Hong Kong	Car parking space	Medium term	69.3
(7)	Campus La Mola Cami dels Plans de Can Bonvilar s/n, 08227 - Terrassa, Barcelona, Spain	Hotel	Freehold land	69.3

## SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

*As at 31st December, 2025*

	<b>Description</b>	<b>Use</b>	<b>Lease</b>	<b>Percentage of interest attributable to the Company</b>
(8)	Regal Airport Hotel 9 Cheong Tat Road, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	Medium term	51.9
(9)	Regal Hongkong Hotel 88 Yee Wo Street, Causeway Bay, Hong Kong	Hotel	Long term	51.9
(10)	Regal Kowloon Hotel 71 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong	Hotel	Long term	51.9
(11)	Regal Oriental Hotel 30-38 Sa Po Road and Shops 3-11 on G/F including Cockloft of Shops 5-7 and the whole of 1/F, Po Sing Court, 21-25 Shek Ku Lung Road, 40-42 Sa Po Road and 15-29 Carpenter Road, Kowloon City, Kowloon, Hong Kong	Hotel	Medium term	51.9
(12)	Regal Riverside Hotel 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong	Hotel	Medium term	51.9

## SCHEDULE OF PRINCIPAL PROPERTIES (Cont'd)

*As at 31st December, 2025*

	<b>Description</b>	<b>Use</b>	<b>Lease</b>	<b>Percentage of interest attributable to the Company</b>
(13)	iclub Wan Chai Hotel Shops A, B and C on G/F, Flat Roof on 3/F, Whole of 5-12/F, 15-23/F and 25-29/F, Eastern and Western Elevations of External Walls, Architectural Feature at Roof Top and Upper Roof, 211 Johnston Road, Wanchai, Hong Kong	Hotel/ commercial	Long term	51.9
(14)	iclub Fortress Hill Hotel 18 Merlin Street, North Point, Hong Kong	Hotel	Long term	51.9
(15)	iclub Sheung Wan Hotel 138 Bonham Strand, Sheung Wan, Hong Kong	Hotel	Long term	51.9
(16)	iclub To Kwa Wan Hotel 8 Ha Heung Road, To Kwa Wan, Kowloon, Hong Kong	Hotel	Long term	51.9
(17)	iclub AMTD Sheung Wan Hotel No.5 Bonham Strand West, Sheung Wan, Hong Kong	Hotel	Long term	42.3

## PUBLISHED FIVE YEAR FINANCIAL SUMMARY

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

### RESULTS

	Year ended 31st December,				
	2025 HK\$'million	2024 HK\$'million	2023 HK\$'million	2022 HK\$'million	2021 HK\$'million
Revenue	<u>3,792.6</u>	<u>2,731.0</u>	<u>2,806.4</u>	<u>4,003.7</u>	<u>4,015.6</u>
Operating profit/(loss)	<u>(853.5)</u>	<u>(1,086.8)</u>	<u>(450.8)</u>	<u>350.1</u>	<u>(43.9)</u>
Finance costs	<u>(964.5)</u>	<u>(1,265.2)</u>	<u>(1,221.5)</u>	<u>(601.3)</u>	<u>(362.0)</u>
Share of profits and losses of associates	<u>36.2</u>	<u>(16.1)</u>	<u>(5.2)</u>	<u>(11.0)</u>	<u>11.6</u>
Loss before tax	<u>(1,781.8)</u>	<u>(2,368.1)</u>	<u>(1,677.5)</u>	<u>(262.2)</u>	<u>(394.3)</u>
Income tax	<u>10.5</u>	<u>(73.2)</u>	<u>14.4</u>	<u>(114.2)</u>	<u>(201.4)</u>
Loss for the year before allocation between equity holders of the parent and non-controlling interests	<u>(1,771.3)</u>	<u>(2,441.3)</u>	<u>(1,663.1)</u>	<u>(376.4)</u>	<u>(595.7)</u>
Attributable to:					
Equity holders of the parent	<u>(1,157.9)</u>	<u>(1,643.4)</u>	<u>(1,042.0)</u>	<u>(217.7)</u>	<u>(397.5)</u>
Non-controlling interests	<u>(613.4)</u>	<u>(797.9)</u>	<u>(621.1)</u>	<u>(158.7)</u>	<u>(198.2)</u>
	<u>(1,771.3)</u>	<u>(2,441.3)</u>	<u>(1,663.1)</u>	<u>(376.4)</u>	<u>(595.7)</u>

## PUBLISHED FIVE YEAR FINANCIAL SUMMARY (Cont'd)

### ASSETS, LIABILITIES, PERPETUAL SECURITIES AND NON-CONTROLLING INTERESTS

31st December,

	2025 HK\$'million	2024 HK\$'million	2023 HK\$'million	2022 HK\$'million	2021 HK\$'million
Property, plant and equipment	5,217.0	5,714.4	6,361.4	6,672.9	7,033.4
Investment properties	3,098.1	3,425.3	3,868.8	3,149.0	3,209.2
Right-of-use assets	14,850.5	15,031.9	15,374.2	15,759.8	16,098.8
Properties under development	885.9	870.2	892.0	915.1	869.9
Investments in associates	286.3	280.3	401.3	406.6	455.1
Financial assets designated at fair value through other comprehensive income	4.0	4.8	28.1	443.3	590.5
Financial assets at fair value through profit or loss	292.3	425.3	592.9	768.4	674.3
Derivative financial instruments	–	9.9	–	–	–
Loans receivable	114.8	155.2	163.4	185.6	234.3
Finance lease receivable	–	96.0	101.7	–	–
Debtors, deposits and prepayments	190.3	218.3	286.5	277.8	276.6
Deferred tax assets	47.7	47.6	47.7	47.7	47.7
Trademark	610.2	610.2	610.2	610.2	610.2
Other intangible assets	3.6	3.6	3.6	6.8	3.6
Current assets	<b>6,860.8</b>	9,227.8	11,092.7	12,544.0	14,413.6
Total assets	<b>32,461.5</b>	36,120.8	39,824.5	41,787.2	44,517.2
Current liabilities	<b>(7,595.0)</b>	(7,697.1)	(6,960.4)	(8,218.8)	(5,270.6)
Creditors and deposits received	<b>(17.8)</b>	(24.7)	(90.1)	(84.8)	(85.5)
Lease liabilities	<b>(153.2)</b>	(2.9)	(7.2)	(16.0)	(21.9)
Interest bearing bank borrowings	<b>(11,458.6)</b>	(13,219.0)	(14,722.2)	(13,297.8)	(18,121.0)
Other borrowings	–	(312.0)	(468.0)	(156.0)	–
Derivative financial instruments	<b>(49.2)</b>	(0.7)	–	–	–
Deferred tax liabilities	<b>(1,326.3)</b>	(1,384.6)	(1,445.9)	(1,618.1)	(1,723.6)
Total liabilities	<b>(20,600.1)</b>	(22,641.0)	(23,693.8)	(23,391.5)	(25,222.6)
Perpetual securities	<b>(1,732.9)</b>	(1,732.9)	(1,732.9)	(1,732.9)	(1,732.9)
Non-controlling interests	<b>(2,703.8)</b>	(3,262.0)	(4,129.2)	(4,897.7)	(5,265.2)

