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Regent International Hotels Limited

Report of the Directors and Audited Financial Statements

For the Year Ended 31 December 2019

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Regent International Hotels Limited

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31 December 2019

Regent International Hotels Limited

Report of the Directors

31 December 2019

The directors present their report and the audited financial statements of Regent International Hotels Limited (the "Company") for the year ended 31 December 2019.

Principal activities

The Company is engaged in the management of Regent branded hotel and resort in Montenegro. On 20th November 2018, the Company transferred its management contract with a Regent branded hotel in China to a related party, InterContinental Hotels Group (Shanghai) Ltd.

Directors

The directors of the Company during the year and up to the date of this report were:

Michael Jon Cockcroft	
Michael Todd Glover	(resigned on 31 July 2019)
Nicolette Henfrey	(resigned on 24 February 2020)
Heather Wood	(appointed on 31 July 2019)
Melinda Renshaw	(appointed on 24 February 2020)

There being no provisions in the Company's Articles of Association for the retirement of directors by rotation, all remaining directors continue in office.

Directors' interests

Pursuant to the share awards plans of the Company's ultimate holding company, certain directors of the Company have been granted share awards to acquire ordinary shares of the ultimate holding company.

During the year, conditional rights over 18,310 shares were awarded to the directors under the Long Term Incentive Plan (LTIP), comprising 11,982 performance-related awards and 6,328 restricted stock units. 8,579 shares (performance-related awards) were exercised under the LTIP in 2019 which enable the directors to acquire shares of the ultimate holding company and 3,089 restricted stock units were released in 2019. As at the end of the reporting period, there were 31,552 shares outstanding in respect of the share awards granted by the ultimate holding company under the LTIP to the directors of the Company, comprising 15,623 performance-related awards and 15,929 restricted stock units.

During the year, conditional rights over 3,684 shares were awarded to the directors under the Annual Performance Plan (APP). 3,342 shares were released under the APP in 2019. As at the end of the reporting period, there were 8,489 shares outstanding in respect of the share awards granted by the ultimate holding company under the APP to the directors of the Company.

Further details of the share awards of the Company's ultimate holding company are set out in note 21 to the financial statements.

Saved as disclosed above, at no time during the year was the Company, its subsidiaries or any of its holding companies or fellow subsidiaries a party to any arrangements to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Regent International Hotels Limited

Report of the Directors

31 December 2019

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company, its subsidiaries or any of its holding companies or fellow subsidiaries was a party during the year.

Auditor

Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Director: ....
Heather Wood

27 October 2020

EY 安永

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Independent auditor's report
To the sole member of Regent International Hotels Limited
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the financial statements of Regent International Hotels Limited (the "Company") set out on pages 6 to 29, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

Information other than the financial statements and auditor's report thereon
The director is responsible for the other information. The other information comprises the information included in the director's report.

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

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

In preparing the financial statements, the director is responsible for assessing the Company'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 director either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

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Independent auditor's report (continued)
To the sole member of Regent International Hotels Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the 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 405 of the Hong Kong Companies Ordinance, 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 HKSAs 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 financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent auditor's report (continued)
To the sole member of Regent International Hotels Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)
We communicate with the board of director 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.

Ernst & Young

Certified Public Accountants
Hong Kong
27 October 2020

Regent International Hotels Limited

Statement of Profit or Loss

Year ended 31 December 2019

	Note	2019 US$	(Restated) 2018 US$
Revenue	7	99,256	1,234,501
Other income	7	2,339	2,220,121
Employee benefits expense		-	(303,606)
Write off intangible assets	10	-	(10,650,188)
Investment impairment	11	(1,082,561)	-
Other expenses		(205,624)	(2,418,555)
Loss before tax		(1,186,590)	(9,917,727)
Income tax		-	-
Loss for the year		(1,186,590)	(9,917,727)

Regent International Hotels Limited

Statement of Comprehensive Income
Year ended 31 December 2019

	2019 US$	2018 US$
Total comprehensive loss for the year, net of tax	(1,186,590)	(9,917,727)

Regent International Hotels Limited

Statement of Financial Position
As At 31 December 2019

	Notes	2019 US$	2018 US$
ASSETS			
Non-current assets			
Investments in subsidiaries	11	1,463,930	2,546,491
Current assets			
Cash and bank balances	13	40,371	815,492
Notes receivable from the immediate holding company	16(b)	636,661	-
Due from fellow subsidiaries	16(b)	398,533	-
Trade and other receivables	12	503	311,672
Total current assets		1,076,068	1,127,164
Current liabilities			
Due to immediate holding company	16(b)	598,609	621,004
Due to fellow subsidiaries	16(b)	235,558	175,497
Trade and other payables		-	2,832
Refund liabilities	15	18,099	-
Total current liabilities		852,266	799,333
Net current assets		223,802	327,831
Total assets less current liabilities		1,687,732	2,874,322
NET ASSETS		1,687,732	2,874,322

	Notes	2019 US$	2018 US$
EQUITY			
Share capital	14	11,999,488	11,999,488
Accumulated losses		(10,311,756)	(9,125,166)
TOTAL EQUITY		1,687,732	2,874,322

Director: Heather Wood

Director: Michael Jon Cockcroft

Statement of Changes in Equity
Year ended 31 December 2019

2019

	Share capital US$	Accumulated losses US$	Total US$
Balance at 1 January 2019	**11,999,488**	**(9,125,166)**	**2,874,322**
Loss for the year and total comprehensive loss for the year	-	(1,186,590)	(1,186,590)
Balance at 31 December 2019	**11,999,488**	**(10,311,756)**	**1,687,732**

2018

	Share capital US$	Accumulated losses US$	Total US$
Balance at 1 January 2018	**28,126,922**	**2,992,561**	**31,119,483**
Dividend paid (note 20)	-	(2,200,000)	(2,200,000)
Loss for the year and total comprehensive loss for the year	-	(9,917,727)	(9,917,727)
Shares issued during the year (note 14)	82,566	-	82,566
Shares bought back during the year (note 14)	(16,210,000)	-	(16,210,000)
Balance at 31 December 2018	**11,999,488**	**(9,125,166)**	**2,874,322**

Regent International Hotels Limited

Statement of Cash Flows
Year ended 31 December 2019

	Notes	2019 US$	2018 US$
Cash flows from operating activities:			
Loss before tax		(1,186,590)	(9,917,727)
Dividend income	7	-	(2,080,000)
Interest income from notes receivable from the immediate holding company	7	(1,404)	-
Interest income	7	(935)	(602)
Amortisation of intangible assets	8	-	46,242
Impairment of investment in subsidiaries	11	1,082,561	-
Impairment allowance of trade receivables	12	13,579	37,890
Write off of intangible assets	8	-	10,650,188
		(92,789)	(1,264,009)
Decrease in trade and other receivables		297,590	2,278,994
Increase in amounts due from fellow subsidiaries		(398,533)	-
Increase in refund liabilities		18,099	-
Decrease in trade and other payables		(2,832)	(723,013)
Increase in amounts due to fellow subsidiaries		60,061	175,497
(Decrease)/increase in amount due to immediate holding company		(22,395)	621,004
Net cash flows (used in)/ from operating activities		(140,799)	1,088,473
Cash flows from investing activities:			
Dividends received		-	2,080,000
Dividends paid		-	(2,200,000)
Increase in notes receivable from the immediate holding company		(636,661)	-
Interest income from notes receivable from the immediate holding company		1,404	-
Interest income		935	602
Net cash flows used in investing activities		(634,322)	(119,398)
Cash flows from a financing activity:			
Repayment of loan to a related party		-	(1,000,000)
Net cash flows used in a financing activity		-	(1,000,000)
Net decrease in cash and cash equivalents		(775,121)	(30,925)
Cash and cash equivalents at beginning of year		815,492	846,417
Cash and equivalents at end of the year		40,371	815,492

1. Corporate information

Regent International Hotels Limited is a limited company incorporated in Hong Kong. Its registered office is located at Level 14, South China Building, 1-3 Wyndham street, Central, Hong Kong.

The Company is engaged in the operation and management of the Regent branded hotel in Montenegro. On 20th November 2018, the Company transferred its management contract with a Regent branded hotel in China to a related party, InterContinental Hotels Group (Shanghai) Ltd.

Effective from 1 July 2018 the immediate holding company of the Company changed from Regent Global Holdings Limited, a company incorporated in British Virgin Islands, to Six Continents Limited, a company incorporated in the United Kingdom.

In the opinion of the directors, the ultimate holding company is InterContinental Hotels Group PLC, a company incorporated in the United Kingdom.

2. Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

3. Basis of preparation

These financial statements have been prepared under the historical cost convention. These financial statements are presented in the United States dollars ("US$"), which is the functional currency of the Company.

In accordance with HKFRS 10 *Consolidated Financial Statements* and the Hong Kong Companies Ordinance, consolidated financial statements have not been prepared as the Company is a wholly-owned subsidiary of another body corporate and its ultimate holding company, InterContinental Hotels Group PLC, prepares consolidated financial statements in accordance with International Financial Reporting Standards, which can be obtained at its registered office. Certain comparative amounts have been restated, refer note 23 for detail.

4. Changes in accounting policies and disclosures

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

HKFRS 16	*Leases*
Amendments to HKAS 28	*Long-term interests in Associates and Joint Venture*

The adoption of the above revised standards has had no significant financial effect on these financial statements.

5. **Issued but not yet effective Hong Kong Financial Reporting Standards**

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

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

1 Effective for annual periods beginning on or after 1 January 2020

The amendments to HKAS 1 and HKAS 8 were issued in January 2019 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments are effective for annual reporting periods beginning on or after 1 January 2020 and are not expected to have a significant impact on the Company's financial statements upon adoption.

6. **Summary of significant accounting policies**

(a). Subsidiaries

A subsidiary is an entity, including a structured entity, directly or indirectly, controlled by the Company. Control is achieved when the Company 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.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company 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 Company's voting rights and potential voting rights.

The result of a subsidiary is included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investment in subsidiaries are stated at cost less any impairment losses.

6. Summary of significant accounting policies (continued)

(b). Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) 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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

6. Summary of significant accounting policies (continued)

(c). Impairment of non-financial assets

The Company assesses at the end of the each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Company makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. 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 assets. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to profit or loss in the year in which it arises.

(d). Financial instruments

Financial assets

Trade receivables that do not contain a significant financial component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financial component are measured at the transaction price determined under HKFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Company commits to purchase or sell the assets.

Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

Debt instruments are measured at fair value through other comprehensive income if the assets' contractual cash flows represent solely payments of principal and interest and the assets are held for collection of contractual cash flows and for selling the financial assets. Such financial assets are subsequently measured at fair value with any gains or losses from changes in fair value recognised in other comprehensive income, except for impairment losses and reversal, foreign exchange gains and losses and interest calculated using the effective interest rate method which are recognised in the statement of profit or loss. The cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to the statement of profit or loss when the financial asset is derecognised.

Impairment

Debt instruments that do not meet the criteria for amortised cost or as financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. Interest income for these financial assets is included in financial income.

The Company 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 Company 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.

6. **Summary of significant accounting policies (continued)**

(d). **Financial instruments (continued)**

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 (a 12-month ECL). 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 (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company 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 Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company 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 receivables 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 receivables that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

6. Summary of significant accounting policies (continued)

(e). Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the statement of profit or loss is recognised outside the statement of 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 authority, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

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

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(f). Cash and cash equivalents

For the purpose of the statement of cash flows, cash and bank balances include cash on hand and at banks and bank overdrafts, which are not restricted as to use.

(g). Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Base management fees - The Company is deemed to be acting as agent in the provision of the licence to use IHG's Intellectual property and pays base management fees over to another Group entity as a royalty fee, such that no revenue is recognised in the statement of profit or loss.

Incentive management fees - Incentive management fees, which are charged under these agreements in consideration for provision of hotel management services, are generally based on the hotel's profitability or cash flows. They are treated as variable consideration and are recognised over time when it is considered highly probable that the related performance criteria will be met, provided there is no expectation of a subsequent reversal of the revenue.

6. Summary of significant accounting policies (continued)

(h). Employee benefits

Pension schemes

The Company operates a mandatory provident fund scheme (the "MPF scheme") under the Mandatory Provident Fund Schemes Ordinance and a defined contribution occupational retirement scheme (the "ORSO scheme") under the Occupational Retirement Schemes Ordinance. Contributions are made based on a percentage of the basic salaries of employees in Hong Kong and are charged to the statement of profit or loss as they become payable in accordance with the rules of the schemes. The assets of both schemes are held separately from those of the Company in independently administered funds. The Company's employer contributions to the MPF scheme vest fully with the employees when contributed into the MPF scheme. The Company's employer contributions to the ORSO scheme vest fully according to the rules of the ORSO scheme.

(i). Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

(j). Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.
Final dividends are recognised as a liability when they are approved by the shareholders.

6.1 Use of accounting estimates

Estimation uncertainty

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

Impairment of trade receivables

The impairment provisions for trade receivables are based on assumptions about expected credit losses. The Company uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Company's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Further details of the trade receivables are given in note 12 to the financial statements.

Impairment of investments in subsidiaries

The Company assesses whether there are any indication of impairment for investment in subsidiary companies at each reporting date to ensure that the carrying values of the investment in subsidiary companies does not exceed their recoverable amounts. The recoverable amount represents the value of the estimated future cash flow expected to arise from continuing operations. In determining the recoverable amount, judgement is exercised in estimating the future cash flow, growth rate and discount rate.

For the financial year ended 2019, an impairment loss of $1,082,561 was recognised for investment in subsidiaries in the income statement. (2018: Nil)

7. Revenue and other income

Revenue, which is also the Company's turnover, represents fees earned over time from providing management services.

	2019	(Restated) 2018
	US$	US$
Total Revenue	99,256	1,234,501

The details of the Company's performance obligations is disclosed in note 6(g) to the financial statements. 2018 comparative amounts have been restated. Refer note 23 for detail.

Other income

	2019	2018
	US$	US$
Service fee received	-	139,519
Dividend income	-	2,080,000
Interest income from notes receivable from the immediate holding company	1,404	-
Interest income	935	602
	2,339	2,220,121

8. Loss before tax

The Company's loss before tax is arrived at after charging:

	2019 US$	2018 US$
Write off of intangible assets	-	10,650,188
Amortisation of intangible assets	-	46,242
Impairment of investment in subsidiaries	1,082,561	-
Impairment allowance of trade receivables	13,579	37,890
Employee benefits expense (including directors' remuneration):		
- Wages and salaries	-	303,606
- Auditor's remuneration	-	-
- Directors' remuneration	-	-

The auditor's remuneration was borne by a related entity within the group.

9. Income tax:

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the year (2018:Nil)

10. Intangible assets

	2019 US$	2018 US$
Other intangible assets		
At 1 January	-	10,696,430
Amortisation of website	-	(46,242)
Written off during the year	-	(10,650,188)
At 31 December	-	-

In 2018, the Company has written off intangible assets consisted of franchise rights of $10,549,997 and website of $100,191.

11. Investment in subsidiaries

	2019	2018
	US$	US$
Unlisted shares, at cost	2,546,491	18,756,491
Disposal during the year (note 14)	-	(16,210,000)
Impairment	(1,082,561)	-
	1,463,930	2,546,491

Details of subsidiaries are as follows:

Name of subsidiaries held directly	Place of incorporation	Equity holding	Principal activities
Regent Asia Pacific Hotel Management Limited	Hong Kong	100%	Hotel management
PT Regent Indonesia	Indonesia	99%	Hotel management
Regent Asia Pacific Management Limited	Malaysia	100%	Hotel management

An impairment loss of $1,082,561 (2018: Nil) was recognised on investment in subsidiaries as the net recoverable values were less than the carrying value.

In 2018, the Company's investment in Regent Hospitality Worldwide Inc was disposed at book value.

12. Trade and other receivables

	2019	2018
	US$	US$
Trade receivables	51,972	221,023
Other receivables	-	128,539
	51,972	349,562
Provision for impairment	(51,469)	(37,890)
	503	311,672

The Company's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month. The Company seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

12. **Trade and other receivables (continued)**

The movement in provision for impairment of receivables is as follows:

	2019 US$	2018 US$
At 1 January	37,890	-
Impairment allowance of trade receivables	13,579	37,890
At 31 December	51,469	37,890

The Company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss for all accounts receivable. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward looking information. The loss allowance as at 31 December 2019 and 2018 is determined as follows:

		(days overdue)		
	Current US$	0-60 days US$	Over 60 days US$	Total US$
2019				
Expected credit loss %	-	-	99	99
Gross carrying amount	-	-	51,972	51,972
Expected credit losses	-	-	51,469	51,469

		(days overdue)		
	Current US$	0-60 days US$	Over 60 days US$	Total US$
2018				
Expected credit loss %	7	11	21	17
Gross carrying amount	2,508	83,299	135,216	221,023
Expected credit losses	177	9,183	28,530	37,890

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Company does not hold any collateral or other credit enhancements over these balances.

13. Cash and bank balances

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The bank balances are deposited with creditworthy banks with no recent history of default.

14. Share capital

	2019	2018
	US$	US$
Issued and fully paid		
22,217,839 ordinary shares (2018: 22,217,839)	11,999,488	11,999,488
	11,999,488	11,999,488

There is no movement in share capital in 2019. The movement in share capital in 2018 is as follows:

	Number of shares	Share capital
		US$
As at 1 January 2018	22,153,438	28,126,922
Capital buy back (note a)	-	(16,210,000)
Issue of new shares (note b)	64,401	82,566
As at 31 December 2018	22,217,839	11,999,488

a) Pursuant to the special resolution passed on 26 April 2018, on 5th June 2018, the share capital was reduced through the return of reduction of share capital of the Company in the amount of HK$126,438,000 to the immediate holding company by way of the transfer of all issued and paid-up shares of USD$16,210,000 of Regent Hospitality Worldwide, Inc., a subsidiary of the Company and a company incorporated in the Cayman Islands (note 11).

b) On 11th June 2018, additional 64,401 ordinary shares were issued at US$82,566 for additional working capital and fully paid by the parent company.

15. Refund liabilities

	2019	2018
	US$	US$
Refund liabilities	18,099	-

Refund liabilities represents credit issued to a customer relating to amounts previously paid where the transaction price for services previously rendered was adjusted. These refund liabilities will be used to offset future billings.

16. Related Party Transactions

(a) The Company had the following material transactions with related parties during the year:

	2019 US$	2018 US$
Service fee paid to fellow subsidiaries	119,352	183,393
Royalty fee paid to the immediate holding entity	79,237	89,157
Interest income from notes receivable from the immediate holding company	1,404	-

The service fees were paid to InterContinental Hotels Group (Shanghai) Ltd., a company incorporated in the People's Republic of China and InterContinental Hotels Group Services Company, a company incorporated in the United Kingdom.

The royalty fees were paid to the immediate holding entity, Six Continents Limited, a company incorporated in the United Kingdom (see base management fee accounting policy on page 16).

The above transactions were conducted on terms in accordance with the group policies of InterContinental Hotels Group PLC.

(b) As at 31 December 2019 and 2018, the Company's balances with the immediate holding company and fellow subsidiaries were unsecured, interest-free and repayable on demand, except for the notes receivables from the immediate holding company, which are unsecured, interest-bearing at 1.55% per annum and repayable on demand.

(c) On 20th November 2018, the Company transferred its management contract with a Regent branded hotel in China to a related party, InterContinental Hotels Group (Shanghai) Ltd. The impact on 2019 revenue was a decrease of $765,396.

17. Fair value of financial assets and liabilities

Management has assessed that the fair values of cash and bank balances, balances with group companies, trade receivables and payables, financial assets included in other receivables and financial liabilities included in trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments or with floating interest rates.

18. Financial risk management objectives and policies

The Company's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

Credit risk

The carrying amounts of cash and bank balances, trade receivables, notes receivable from the immediate holding company and other current assets represent the Company's maximum exposure to credit risk in relation to financial assets. All the Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. The Company has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers. The maximum exposure is the carrying amount as disclosed in note 12 to the financial statements. The directors consider that the Company does not have a significant concentration of credit risk.

The table below shows the credit quality and the maximum exposure to credit risk based on the Company'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 31 December 2019 and 2018. The amounts presented are gross carrying amounts for financial assets.

18. Financial risk management objectives and policies *(continued)*

Maximum exposure and year-end staging as at 31 December 2019

	12 month ECLs US$	Lifetime ECL Simplified approach US$	Total US$
Trade receivable	-	51,972	51,972
Notes receivable from the immediate holding company	636,661	-	636,661
Due from fellow subsidiaries	398,533	-	398,533
Cash and bank balances	40,371	-	40,371
	1,075,565	51,972	1,127,537

Maximum exposure and year-end staging as at 31 December 2018

	12 month ECLs US$	Lifetime ECL Simplified approach US$	Total
Trade receivable	-	221,023	221,023
Other receivables	128,539	-	128,539
Cash and bank balances	815,492	-	815,492
	944,031	221,023	1,165,054

Since the Company provides services only to recognised and creditworthy customers, there is no requirement for collateral.

There are no significant concentrations of credit risk within the Company.

18. Financial risk management objectives and policies (continued)

Liquidity risk

The Company aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Company finances its working capital requirements through a combination of funds generated from operations and other borrowings.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

	2019			
	On demand US$	Less than 1 month US$	More than 1 month but less than 1 year US$	Total US$
Due to immediate holding company	598,609	-	-	598,609
Due to fellow subsidiaries	235,558	-	-	235,558
	834,167	-	-	834,167

	2018			
	On demand US$	Less than 1 month US$	More than 1 month but less than 1 year US$	Total US$
Trade and other payables	-	2,832	-	2,832
Due to immediate holding company	621,004	-	-	621,004
Due to fellow subsidiaries	175,497	-	-	175,497
	796,501	2,832	-	799,333

Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

The Company manages capital by regularly monitoring its current and expected capital requirements. The Company defines capital as being all components of equity.

19. *Note to the statement of cash flows*

Reconciliation of liabilities arising from financing activities

	2018
	US$
At 1 January 2018	1,000,000
Changes from financing cash flows	
Repayment of loan to a related company	(1,000,000)
At 31 December 2018, 1 January 2019 and 31 December 2019	-

20. Dividends

	2019	2018
	US$	US$
Interim dividend – Nil per share	-	2,200,000
(2018: USD0.099 per ordinary share)		

The directors do not recommend the payment of a dividend in respect of the year.

21. Share options

The Company's ultimate holding company operates share plans for the purpose of providing incentives and rewards to the key management personnel of the Company who contribute to the success of the ultimate holding company's operations. Details of these schemes are given below.

Annual Performance Plan

Under the IHG Annual Performance Plan (APP), eligible employees (including Executive Directors) can receive all or part of their bonus in the form of deferred shares and/or receive one-off awards of shares. Deferred shares are released on the third anniversary of the award date. Under the terms of awards that are referred to in this note, a fixed percentage of the award is made in the form of shares. Awards under the Annual Performance Plan are conditional on the participant remaining in the employment of a participating company or leaving for a qualifying reason as per the Plan rules. Participation in the Annual Performance Plan is at the discretion of the Group Remuneration Committee. The number of shares is calculated by dividing a specific percentage of the participants annual performance-related award by the middle market quoted prices on the three consecutive dealing days immediately preceding the date of grant.

New plan rules for the Annual Performance Plan were approved by shareholders of the parent at the IHG PLC Annual General Meeting held on 2 May 2014, and apply to awards made in respect of 2015 and subsequent financial years. The new plan rules contain substantially the same terms as the superceded plan rules.

The directors did not render any services as employees to the Company during the year and accordingly, the cost arising from APP entitled to the directors were borne by a fellow subsidiary during the year.

Long Term Incentive Plan

The Long Term Incentive Plan (the "LTIP") allows Executive Directors and eligible employees to receive conditional share awards, which normally have a vesting period of three years.

- Performance-related awards: Awards to the Executive Directors, and some awards to other eligible employees are granted subject to the achievement of performance conditions, set by the Group Remuneration Committee, which are normally measured over the vesting period.

- Restricted stock units: Awards to eligible employees are granted subject to continued employment.

21. Share options (continued)

Awards are normally made annually and, except in exceptional circumstances, will not exceed three times salary for eligible employees.

New plan rules for the LTIP were approved by shareholders of the parent at the IHG PLC Annual General Meeting held on 2 May 2014, and apply to awards made in respect of the 2015-17 and subsequent LTIP cycles. The new plan rules contain substantially the same terms as the superceded rules.

The directors did not render any services as employees to the Company during the year and accordingly, the cost of equity-settled transactions arising from the share options granted to the directors were borne by other group companies during the year.

The following share awards were outstanding under the schemes during the year:

	APP Number of shares	LTIP Performance-related Number of shares	LTIP Restricted stock units Number of shares
At 1 January 2018	-	-	-
Granted during the year	7,911	3,787	6,921
Transfer in from intragroup companies	10,861	44,404	8,416
Exercised during the year	(4,071)	(10,231)	-
Lapsed during the year	-	(11,966)	-
At 31 December 2018 and 1 January 2019	14,701	25,994	15,337
Granted during the year	3,684	11,982	6,328
Transfer in from intragroup companies	886	-	5,127
Transfer out to intragroup companies	(6,954)	(3,454)	(7,774)
Exercised during the year	(3,342)	(8,579)	(3,089)
Lapsed during the year	-	(10,320)	-
Consolidation	(486)	-	-
At 31 December 2019	8,489	15,623	15,929

The weighted average share price at the date of exercise for share awards vested during the year was 4,571.75 British pence (p). The closing share price of InterContinental Hotels Group PLC on 31 December 2019 was 5,208.0 British pence (p) and the range during the year was 5,738.0 British pence (p) to 4,092.0 British pence (p) per share.

For further particulars about the share option scheme, please refer to the 2019 annual report of InterContinental Hotels Group PLC issued on 18 February 2020.

Notes to Financial Statements
Year ended 31 December 2019

22. *Subsequent event*

As at 31 December 2019 a limited number of cases of an unknown virus had been reported to the World Health Organisation. Following the subsequent spread of the virus, on 11 March 2020 the World Health Organisation declared the COVID-19 outbreak to be a pandemic. The identification of the virus post 31 December 2019 as a new coronavirus, and its subsequent spread, is considered a non-adjusting subsequent event. The results of the operations of the company are for the year ended 31 December and reflects the conditions known as at that date and do not factor in the effect of COVID-19 on balance sheet items or future changes to the business.

As at the date of this report, it is not possible to reliably estimate the financial effect (if any) of the virus on the Company's operations or balance sheet.

23. Comparative amounts

The revenue and other expenses for year ended 31 December 2018 have been restated. The base management fees and the related royalty fees were previously presented gross in the Company's statement of profit and loss. They have been correctly netted off in this restatement. The quantitative impact on the financial statements is summarised below.

Impact on the statement of profit or loss

	Year ended 31 December 2018 US$
Decrease in revenue	(89,157)
Decrease in other expenses	(89,157)
The net profit on Profit for the year is	-

24. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 27 October 2020.