富豪酒店國際控股有限公司
Regal Hotels International Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 78)

ANNOUNCEMENT OF 2020 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2020	Six months ended 30th June, 2019	% Change
	(Unaudited)	(Unaudited)	
	HK$'M	HK$'M	
Revenue	**384.8**	1,281.4	**-70.0%**
Gross profit	**39.5**	644.1	**-93.9%**
Operating profit/(loss) before depreciation, finance costs and tax	**(337.2)**	910.0	**N/A**
Profit/(Loss) for the period attributable to equity holders of the parent	**(853.3)**	379.1	**N/A**
Basic earnings/(loss) per ordinary share attributable to equity holders of the parent	**HK(101.25) cents**	HK35.84 cents	**N/A**
Interim dividend per ordinary share	**–**	HK4.5 cents	**N/A**
	As at 30th June, 2020	**As at 31st Dec, 2019**	
	(Unaudited)	**(Unaudited)**	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	**HK$14.66**	HK$14.46	**+1.4%**
Adjusted★	**HK$21.40**	HK$22.96	**-6.8%**

★ compiled, for the purpose of reference, on an adjusted basis to restate the Group's hotel property portfolio in Hong Kong at its market value at 31st December, 2019 and 30th June, 2020, respectively, with the relevant deferred tax liabilities added back

- **For the six months ended 30th June, 2020, the Group recorded an unaudited consolidated loss attributable to shareholders of HK$853.3 million, while for the comparative period last year, a net profit of HK$379.1 million was attained.**

- **Due to the outbreak of the novel coronavirus since the beginning of this year, the Group's core hotel businesses have been severely disrupted and the revenue from hotel operations during the period under review has dropped drastically as compared to that in the first six months of 2019. Consequently, the financial results of the Group for this interim period have been adversely affected.**

- **The loss incurred for the period was mainly attributable to the fair value losses on financial assets through profit or loss and investment properties and depreciation charges on hotel properties, all of which are non-cash items, and finance costs.**

- **Depreciation charges on the Group's hotel portfolio in Hong Kong for the period amounted to HK$241.0 million (2019 – HK$242.5 million) which, although not affecting cash flow, have nevertheless impacted the reported results.**

- **Regal Real Estate Investment Trust, a listed subsidiary of the Group, owns a total of nine operating Regal and iclub Hotels in Hong Kong, with an aggregate of 4,909 guestrooms and suites. Except for the iclub Wan Chai Hotel which is self-operated by Regal REIT, the five initial Regal Hotels and the other 3 iclub Hotels are under lease to the Group for hotel operation.**

- **Through the implementation of new marketing strategies and cost cutting measures, these nine hotels have as a whole managed to maintain a modest gross operating profit during this interim period, albeit far below the comparative amount attained last year.**

- **The building works for the Regala Skycity Hotel, the 1208-room hotel at the Hong Kong International Airport being developed by the Group, have been completed and the relevant occupation permit is being applied for. Depending on the timing on the restoration of normal traffic and business activities at the airport area, this hotel is still being planned to be opened in the first half of 2021.**

- **The Group is undertaking through one of its wholly owned subsidiaries a commercial/residential development located at Queen's Road West, Hong Kong, which will have a total of 130 residential units with club house facilities together with commercial accommodation on the ground and first floors. The project is expected to be completed by 2022 and the presale programme is planned to be launched before the end of this year.**

- **The Mount Regalia in Kau To, Sha Tin is a major residential development undertaken by P&R Holdings Limited, a 50/50 held joint venture with Paliburg Holdings Limited. The development comprises a total of 24 garden houses and 136 apartment units, complemented with car parks and club house facilities. Up to date, a total of 12 garden houses and 24 apartment units have been sold or contracted to be sold. The revenues from these property sales are accounted for as and when the relevant sale transactions are completed from time to time.**

- **At present, the Group owns a fleet of 3 Airbus passenger aircraft, which are on operating leases with 2 different airline operators in Europe. The leases for two aircraft leased to a major airline operator continue to be running on normal terms but there has been payment defaults on the lease for the other aircraft. The Group will continue to monitor the situation and work closely with the professional aircraft manager to work out remedial solutions.**

- **The Group's core hotel businesses in Hong Kong will still be facing stiff challenges until the city reopens to inbound traffic and its normal business and social activities resume.**

- **The Group has a solid asset base and, over the course of the past years, has diversified substantial resources in other investment sectors, including property development, aircraft ownership and leasing and other investments.**

- **The Group anticipates that significant cash flow will be able to be derived from its property development business, including those attributable to the Group in the projects undertaken by P&R Holdings, within the near future, which will serve to further enhance the Group's financial strength.**

FINANCIAL RESULTS

For the six months ended 30th June, 2020, the Group recorded an unaudited consolidated loss attributable to shareholders of HK$853.3 million, while for the comparative period last year, a net profit of HK$379.1 million was attained.

As mentioned in the profit warning announcement published by the Company on 20th July, 2020, due to the outbreak of the novel coronavirus since the beginning of this year, the Group's core hotel businesses have been severely disrupted and the revenue from hotel operations during the period under review has dropped drastically as compared to that in the first six months of 2019. Although the Group was able to achieve a modest gross operating profit in the overall business operations of all its hotels operating in Hong Kong, through the devising of new marketing strategies and the implementation of prompt measures to streamline operating structure and contain operating costs, the financial results of the Group for this interim period have inevitably been adversely affected. However, the loss incurred for the period was mainly attributable to the fair value losses on financial assets through profit or loss and investment properties and depreciation charges on hotel properties, all of which are non-cash items, and finance costs.

The Group's hotel properties in Hong Kong are all owned and self-operated by subsidiaries of the Company and are classified in the Group's consolidated financial statements as property, plant and equipment and right-of-use assets. Consequently, they are subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on the Group's hotel portfolio in Hong Kong for the period amounted to HK$241.0 million (2019 – HK$242.5 million) which, although not affecting cash flow, have nevertheless impacted the reported results.

Having regard to the material difference prevailing between the carrying values of the Group's hotel portfolio in Hong Kong, which are subject to accumulated depreciation charges, and their fair values as at 30th June, 2020, an Adjusted Net Asset Statement is presented in the section headed "Management Discussion and Analysis" in this announcement, which illustrated for the purpose of reference that, if all such hotel properties were to be stated in the Group's financial statements at their independent professional market valuations as at 30th June, 2020, the underlying adjusted net asset value of the Company would amount to HK$21.4 per share.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

Based on a recent research report by the World Bank Group, the new coronavirus COVID-19 has triggered a global crisis and is leading to steep recessions in many countries. The output of the advanced economies is now projected to slow dramatically, reversing from an expansion of 1.6% in 2019 to a contraction of 7% in 2020. The baseline forecast for the global Gross Domestic Product (GDP) envisions a 5.2% contraction in 2020, which will be the deepest global recession in eight decades, despite unprecedented policy support.

Due to the enforcement of lockdowns in China in the first two months of this year to combat the spread of the COVID-19 coronavirus, the GDP of China in the first quarter of 2020 dropped by 6.8% year-on-year. With the gradual revival of normal economic activities in the Mainland since March, the adverse impact of the pandemic on its economy became slowly under control and, in the second quarter, the GDP of China was able to regain growth of 3.2%, as compared with the same quarter in 2019. Overall, for the first half of 2020, the GDP of China only receded by 1.6%.

Amidst this global crisis, Hong Kong's economy plummeted in the first six months of 2020. In the second quarter this year, the seasonally adjusted unemployment rate in Hong Kong rose to 6.2%, the highest in more than 15 years, and the GDP in real terms of Hong Kong contracted by 9.0% year-on-year.

As a preventive measure, most countries have put up travel and quarantine restrictions which substantially brought international traffic, business and tourist, to a virtual halt. For the period under review, there were only about 3.5 million travellers visiting Hong Kong, of which 2.7 million were from Mainland China, both reflecting a sharp decline of approximately 90% year-on-year. These visitor arrivals were, in fact, primarily those that came in January and February this year and during the past few months, the number of visitors to Hong Kong was minimal.

Based on information published by the Hong Kong Tourism Board, the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June was down from 90% in 2019 to 39% in 2020, while the average achieved room rate also shrank by 31.2%, thus resulting in a reduction in the average Revenue per Available Room (RevPAR) of 70.2% year-on-year.

HOTEL OWNERSHIP

The building works for the Regala Skycity Hotel, the 1208-room hotel at the Hong Kong International Airport being developed by the Group, have been completed and the relevant occupation permit is being applied for. Depending on the timing on the restoration of normal traffic and business activities at the airport area, this hotel is still being planned to be opened in the first half of 2021.

The Group owns a 186-room hotel in Barcelona, Spain, which has been leased to an independent lessee since September 2017. The Group is now having discussions with the lessee on possible remedial actions regarding its overdue rental payments due to the COVID-19 situation.

The Group is also undertaking the renovation of an existing property located at a prime location in London, the United Kingdom, which it acquired in April 2019, into a hotel with about 73 guestrooms. Planning works are in progress and the renovation works are scheduled to commence in early 2021.

REGAL REAL ESTATE INVESTMENT TRUST

The Group held 74.6% of the outstanding units of Regal REIT as at 30th June, 2020 and Regal Portfolio Management Limited, a wholly owned subsidiary of the Company, acts as the REIT Manager.

For the six months ended 30th June, 2020, Regal REIT recorded an unaudited consolidated loss before distribution to unitholders of HK$2,096.2 million, as compared to a loss of HK$362.9 million for the corresponding period in 2019. The loss recorded for the interim period was principally attributable to the reduction of HK$2,288.2 million in the fair value of Regal REIT's investment property portfolio, based on the market valuations appraised by its principal valuer as of 30th June, 2020, as compared to the last appraised value as of 31st December, 2019. For the corresponding period last year, a fair value loss of HK$585.1 million was recorded. If these fair value changes are excluded, the core operating profit before distribution to unitholders for the interim period would amount to HK$192.0 million, approximately 13.6% below the HK$222.1 million for the same period in 2019.

Regal REIT is the listed subsidiary of the Company through which all of the Group's hotels operating in Hong Kong are held. With the exception of the iclub Wan Chai Hotel which is self-operated by Regal REIT, all the other eight hotels, including five Regal Hotels and 3 other iclub Hotels, have been leased by Regal REIT to Favour Link International Limited, a wholly owned subsidiary of the Company, for hotel operations.

HOTEL OPERATIONS

As mentioned above, the Group's hotel operating businesses in the first half of this year have been severely disrupted due to the COVID-19 pandemic. Total revenue (including rental income) from the business operation of all the five Regal Hotels and four iclub Hotels for the period amounted to HK$361.1 million, a decline of approximately 66.9% from the comparative amount of HK$1,089.8 million in 2019. Through the implementation of new marketing strategies and cost cutting measures, these nine hotels have as a whole managed to maintain a modest gross operating profit of HK$16.3 million during the interim period, albeit far below the comparative amount of HK$459.1 million last year.

Faced with the dramatic drop in the number of overseas visitors to Hong Kong, the Group has been promoting, since March this year, long staying and staycation packages to attract local customers. Moreover, the Group entered into an agreement with the Department of Health of the Hong Kong Government in April this year to lease the Regal Oriental Hotel in Kowloon City en bloc to the government, primarily used as holding facility for incoming visitors to Hong Kong while waiting for the COVID-19 test results. The lease was for an initial term of three months, which was subsequently extended for a further term of one month. Apart from fulfilling the social responsibilities towards the community, this lease arrangement has generated for the Group some steady recurring operating income in the short term.

During the interim period, the combined average occupancy of the five Regal Hotels, which are operated as full-service hotels, was 37.4%, as compared to 86.3% for the same period last year, while their combined average room rate decreased by 35.2%. Consequently, their combined average RevPAR dropped by 71.9% year-on-year.

Apart from the five Regal Hotels, three of the four iclub Hotels owned by Regal REIT in Hong Kong have also been leased to Favour Link for hotel operations. There is one other iclub Hotel currently operating in Hong Kong, the iclub Mong Kok Hotel, which is owned and self-operated by P&R Holdings Limited, a 50/50 joint venture between the Group and Paliburg Holdings Limited, the immediate listed parent of the Company, but also managed by the Group.

For the period under review, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel attained a combined average occupancy rate of 67.5%, a decrease of 25.9 percentage points below the same period in 2019. Meanwhile, their combined average room rate declined by 56.1%, resulting in a reduction in their combined average RevPAR of 68.3% year-on-year.

As for the iclub Ma Tau Wai Hotel, it was acquired by Regal REIT from P&R Holdings in 2017. The lease for this hotel is still within the initial five-year lease term with predetermined fixed annual rental. Under the arrangement agreed with P&R Holdings, Favour Link as the lessee is entitled to reimbursement from P&R Holdings annually for any deficit between the rental expenses and the net property income from the business operation of the hotel within this initial term.

HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Group, is the hotel manager managing all the five Regal Hotels and five iclub Hotels (including the iclub Mong Kok Hotel owned by P&R Holdings) now operating in Hong Kong. Two other new hotels in Hong Kong, also to be managed by Regal Hotels International, are coming on stream. The first one in line is the new hotel in Sheung Wan that was developed by P&R Holdings and presently 50% owned by each of P&R Holdings and AMTD Properties (HK) Limited. This hotel is now proposed to be named as the "iclub AMTD Sheung Wan Hotel" and will be opened for business shortly. The second one is the Regala Skycity Hotel, which is being developed by the Group and presently scheduled to be opened for business in the first half of 2021.

In Mainland China, the Group is presently managing a total of six operating Regal Hotels, including three in Shanghai, two in Dezhou and one in Xi'an. The Group is also managing one hotel in Zhengzhou which is operating under the iclub by Regal brand. Three other hotels to be managed by the Group are under development, which are separately located in Chengdu, Jiangmen and Kunshan.

The hotel manager will continue to step up its efforts to promote the "Regal", "iclub" and the latest "Regala" brand names and to strengthen the Group's marketing and reservation networks on the internet and other platforms.

PROPERTIES

Affected by the COVID-19 crisis, the property market in Hong Kong in the first six months of 2020 was inevitably impacted, particularly in the commercial and retail sectors. Supported by the strong pent-up end-user demand, overall residential prices remained relatively resilient. The residential mass primary market was active, with the unit presales of some residential developments launched by developers in recent months having been many times oversubscribed. In the meanwhile, luxury properties were also sought after by buyers.

The Mount Regalia in Kau To, Sha Tin is a major residential development undertaken by P&R Holdings, comprising a total of 24 garden houses and 136 apartment units, complemented with car parks and club house facilities. Up to date, a total of 12 garden houses and 24 apartment units have been sold or contracted to be sold. The revenues from these property sales are accounted for as and when the relevant sale transactions are completed from time to time.

The Group is undertaking through one of its wholly owned subsidiaries a commercial/residential development located at Queen's Road West, Hong Kong. The project will have a total of 130 residential units with club house facilities together with commercial accommodation on the ground and first floors. The superstructure works will soon commence and the project is expected to be completed by 2022. The presale programme is planned to be launched before the end of this year.

Further detailed information on the Group's development projects and properties, including the garden houses retained in Regalia Bay, Stanley, another commercial/residential project at Hai Tan Street, Shum Shui Po, a renovation for sale project in Lisbon, Portugal, and the Group's financial assets and other investments as well as those other projects undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings Limited, is contained in the "Management Discussion and Analysis" section.

AIRCRAFT OWNERSHIP AND LEASING

At present, the Group owns a fleet of 3 Airbus passenger aircraft, which are on operating leases with 2 different airline operators in Europe. Since the global outbreak of the coronavirus in the earlier months of 2020, there has been significant decline in air passenger travel, which put some airline operators under financial pressures. The leases for two aircraft leased to a major airline operator continue to be running on normal terms but there has been payment defaults on the lease for the other aircraft. The Group will continue to monitor the situation and work closely with the professional aircraft manager to work out remedial solutions.

OUTLOOK

Despite the various travel and quarantine restrictions as well as the enforcement of regulations restricting group gatherings and social-distancing rules, local COVID-19 infected cases in Hong Kong rose sharply since the beginning of July 2020. Unless and until the further spread of the COVID-19 virus and the number of local infected cases are under control, the timing on the relaxation of the control measures and the re-opening of Hong Kong to international passenger traffic is yet uncertain. Added with the threats arising from the increased international tensions over different political and economic issues, some of which directly affecting Hong Kong, the business outlook in Hong Kong for the second half of 2020 could not be optimistic.

On 30th June, 2020, the Standing Committee of the National People's Congress of China passed the National Security Law for Hong Kong. It is hoped that this new law will help to put an end to the violent social activities in Hong Kong since June 2019 and boost general investors' confidence, both locally and internationally, in the future of Hong Kong.

The Group's core hotel businesses in Hong Kong will still be facing stiff challenges until the city reopens to inbound traffic and its normal business and social activities resume. The Group has a solid asset base and, over the course of the past years, has diversified substantial resources in other investment sectors, including property development, aircraft ownership and leasing and other investments. The Group anticipates that significant cash flow will be able to be derived from its property development business, including those attributable to the Group in the projects undertaken by P&R Holdings, within the near future, which will serve to further enhance the Group's financial strength.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel ownership business undertaken through Regal REIT, hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings, aircraft ownership and leasing and other investments including financial assets investments.

The performance of the Group's hotel, property and other investment businesses as well as that of Regal REIT during the period under review, the commentary on the hotel and property sectors and the changes in the general market conditions and the potential impact on their operating performances and future prospects are contained in the above sections headed "Financial Results", "Business Overview" and "Outlook" as well as in this sub-section.

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

A brief review on the development projects and properties of the Group, which are all wholly owned by the Group (except for the property project in Portugal), and those undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings Limited, and on the Group’s financial assets and other investments is set out below.

Hong Kong

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

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

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

The project is being developed into a 13-storey (including one basement floor) hotel with 1,208 guestrooms and suites as well as extensive banquet, meeting and food and beverage facilities. The hotel will be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses. The building works have been completed and the relevant occupation permit is being applied for. Depending on the timing on the restoration of normal traffic and business activities at the airport area, this hotel is still being planned to be opened in the first half of 2021.

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

The project has a combined site area of 682 square metres (7,342 square feet) and is being developed into a commercial/residential development with gross floor area of about 5,826 square metres (62,711 square feet). The project will have a total of 130 residential units with club house facilities together with commercial accommodation on the ground and first floors. The foundation works have been completed and the superstructure works will soon commence. The project is expected to be completed by 2022. Presale of the residential units in this development is planned to be launched before the end of this year.

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

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

Overseas

Campus La Mola, Barcelona, Spain

This hotel property has a total of 186 rooms and was acquired by the Group in 2014. The hotel was formerly self-operated by the Group and was later leased to an independent third party under a lease agreement in September 2017. The Group is now having discussions with the lessee on possible remedial actions regarding its overdue rental payments due to the COVID-19 situation.

41 Kingsway, London WC2B 6TP, the United Kingdom

This is a freehold existing property located at a prime location in London, which the Group acquired in April 2019. This existing property has 9 storeys (including basement and ground floor) with gross floor area of approximately 2,150 square metres (23,140 square feet) and is presently vacant. The design development works have been commenced to renovate this property into a hotel with about 73 guestrooms. The renovation works are scheduled to commence in early 2021 and the renovated hotel is intended to be self-operated by the Group.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal
The Group has a 90% interest in this property project, which is a rehabilitation and renovation project for a historic building located in an area of vast historical heritage. The building has gross development area of about 1,836 square metres (19,768 square feet) comprising shops and apartments. The design for the renovation programme has been approved by the local government authorities and the renovation works are underway, targeted for completion in the second quarter of 2021. This property project is intended for sale.

JOINT VENTURE – P&R HOLDINGS LIMITED

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

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

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

Domus and Casa Regalia at Nos.65-89 Tan Kwai Tsuen Road, Yuen Long, New Territories
This residential project has a site area of approximately 11,192 square metres (120,470 square feet) and provides a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192

square metres (120,470 square feet). The occupation permit for the project was issued in November 2015 and the certificate of compliance was obtained in April 2016.

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

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

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

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

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

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

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

The sale programme commenced in early 2019 and, up to this date, 12 garden houses and 24 apartment units together with 47 car parks have been sold or contracted to be sold at relatively attractive prices as compared to the development costs, with aggregate gross consideration amounting to about HK$2,161 million. Among these property sales, the transactions for 2 houses and 8 apartment units have been completed before 30th June, 2020 and the properties delivered to the buyers. The revenues from these property sales are accounted for as and when the relevant sale transactions are completed from time to time.

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

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

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

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

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and has been developed into a hotel with 98 guestrooms and suites (total 162 room bays), with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). The occupation permit was obtained in November 2019 and the hotel licence issued in May 2020.

P&R Holdings sold 50% beneficial interest in this property to AMTD Group in December 2019 and the property is now 50% owned by each of P&R Holdings and AMTD Properties (HK) Limited. This hotel is proposed to be named as the "iclub AMTD Sheung Wan Hotel" and will be opened for business shortly.

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

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

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

The properties presently comprise interests in over 80% undivided shares of Nos.291-293 Castle Peak Road and 100% ownership interests of Nos.301-303 Castle Peak Road. The properties have a total site area of 488 square metres (5,260 square feet) and are intended for a commercial/residential development. Requisite process for the acquisition of the remaining undivided shares of the relevant properties is under preparation.

Certain of the existing properties are presently classified as a Grade 2 Historic Building. A conservation proposal in conjunction with the proposed development is being discussed with the relevant government authorities, which would involve conserving the historical heritage within the new development, with compensatory bonus plot ratio.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

Property Development

Chengdu Project – Regal Cosmopolitan City

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

The superstructure and fitting-out works for the third stage of the development, consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces, are in steady progress and targeted to be completed around mid-2021. Most of the 1,130 residential units in the first seven towers comprised in the third stage have been presold, at prices which are significantly higher than those attained in the first and second stages of the development. The presale of the last three residential towers consisting of 425 units was launched in July 2020, at a further increased average price as compared with that for the first seven towers, which was again met with favourable response. Out of these 425 residential units, a total of 274 units have been contracted as sold and 132 units having been subscribed. Up to date, presales of all 1,555 residential units in the third stage have been launched and a total of 1,370 units have been contracted as presold. Total sales proceeds amount to approximately RMB1,793.8 million (HK$2,011.7 million), of which approximately RMB1,496.9 million (HK$1,678.8 million) have already been received by the Cosmopolitan group as deposits under the presale contracts.

Presale of the shops in the third stage of about 2,350 square metres (25,300 square feet) has also been launched in July 2020. Up to date, a total of 839 square meters (9,030 square feet) of shops have been presold under contracts, at aggregate sales proceeds of approximately RMB30.0 million (HK$33.6 million). Presale of 1,389 car parking spaces is expected to be launched in the third quarter of 2020.

The interior design works with a revised scheme for this 325-room hotel are progressing in full swing. The interior fitting-out works are scheduled to commence in the first quarter of 2021 and the hotel is scheduled to open in phases from the first quarter of 2022.

The construction works of the remaining commercial components within the development, comprising a six-storey commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) are in steady progress. The basement excavation works are completed and the substructure works have already started in June 2020. The market repositioning works of the six-storey commercial complex are in progress. Presale of one office tower consisting of 434 units of about 20,000 square metres (215,200 square feet) is expected to be launched in late 2020. The presale of the remaining four office towers consisting of 1,356 units of about 66,000 square metres (710,500 square feet) will be launched in phases in 2021.

Tianjin Project – Regal Renaissance

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

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

The superstructure works of the two office towers and their commercial podium are progressing and planned to be completed in the fourth quarter of 2022. Presale of one office tower consisting of 137 units of about 17,530 square metres (188,700 square feet) is planned to be launched before the end of this year. The presale of the other office tower consisting of 247 units of about 39,210 square metres (422,000 square feet) will be launched in phases thereafter. The market positioning works of the commercial podium is in progress.

Xinjiang Project

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

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

Other Investments

Investment in shares of AMTD International Inc.

As previously disclosed, the Cosmopolitan group, through its wholly owned subsidiary incorporated in the PRC, entered into certain deposit agreements and loan agreements for the possible investment in a logistics services provider in the PRC, pursuant to which the Cosmopolitan group has paid deposits and granted loans to the vendor and the target investee group, which amounted to RMB372.1 million (including interest receivable and net of tax provision) in the books of the Cosmopolitan group as at 31st December, 2019.

On 31st December, 2019, the Cosmopolitan group entered into an agreement with an independent purchaser for the disposal of its entire interests in those companies directly and indirectly owning such deposits and loans for a consideration of HK$400 million. The transaction was duly completed on 31st March, 2020 and the sale consideration received by the Cosmopolitan group was applied to purchase 6,069,000 Class A ordinary shares of AMTD International Inc..

AMTD is a reputable financial services provider in the Asia Pacific, with dual listings on the New York Stock Exchange and the Singapore Stock Exchange. The Cosmopolitan group intends to hold the AMTD shares as long term investments and expects to be able to leverage on the strategic co-operative relationship with AMTD to explore and capture new business and investment opportunities through its intensive business network.

Carbon Assets

The Cosmopolitan group entered into a memorandum of understanding (MOU) with certain independent third parties in June 2019 for the possible investment by the Cosmopolitan group in an operating company principally engaged in the management and trading of tradable or transferable China Certified Emissions Reduction (Carbon Assets) in China. Save for the provisions in relation to, among others, due diligence review and exclusivity period, the MOU did not constitute legally-binding commitment on the parties.

The Cosmopolitan group subsequently entered into supplemental MOUs with the other parties to extend the formal agreement signing date, the completion date for due diligence review and the exclusivity period under the MOU, which was last extended to 31st July, 2020 under the latest supplemental MOU entered into in May 2020. Up to 31st July, 2020, no formal agreement had been entered into among the parties and the MOU lapsed and was terminated accordingly.

PRC Real Estate Company

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

FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group maintains a sizable investment portfolio comprising listed securities, investment funds, bonds as well as treasury and yield enhancement products. The financial market has been extremely volatile in the first six months of this year, which had an adverse impact on the performance of the Group under this business segment during the period.

FINANCIAL REVIEW

ASSETS VALUE

The Group's hotel properties in Hong Kong owned by Regal REIT, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, were stated in the financial statements at their fair values as at 23rd July, 2010 when Regal REIT became a subsidiary of the Group, plus subsequent capital additions and deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel were stated in the Group's financial statements at their fair values at the time of acquisition net of the unrealised gain attributable to the Group and are also subject to depreciation. For the purpose of providing supplementary information, if the Group's entire hotel property portfolio in Hong Kong is restated in the condensed consolidated financial statements at market value as at 30th June, 2020, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$21.4 per share, computed as follows:

	As at 30th June, 2020	
	HK$'M	**HK$ per ordinary share**
Book net assets attributable to equity holders of the parent	**13,179.0**	**14.66**
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	**6,057.5**	**6.74**
Unaudited adjusted net assets attributable to equity holders of the parent	**19,236.5**	**21.40**

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.

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

Cash Flows

During the period under review, there were net cash flows generated from operating activities of HK$481.7 million (2019 – HK$633.6 million). Net interest payment for the period amounted to HK$134.2 million (2019 – HK$105.9 million).

Borrowings and Gearing

As at 30th June, 2020, the Group had cash and bank balances and deposits of HK$1,394.7 million (31st December, 2019 – HK$1,866.1 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$14,357.1 million (31st December, 2019 – HK$13,907.1 million).

As at 30th June, 2020, the gearing ratio of the Group was 44.0% (31st December, 2019 – 42.5%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK$14,357.1 million (31st December, 2019 – HK$13,907.1 million), as compared to the total assets of the Group of HK$32,636.1 million (31st December, 2019 – HK$32,702.0 million).

On the basis of the adjusted total assets as at 30th June, 2020 of HK$40,520.2 million (31st December, 2019 – HK$42,674.9 million) with the Group's hotel portfolio in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 35.4% (31st December, 2019 – 32.6%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2020 are shown in the condensed consolidated financial statements contained in the interim report for the six months ended 30th June, 2020 of the Company ("Interim Financial Statements") to be published on or before 30th September, 2020.

Lease Liabilities

As at 30th June, 2020, the Group had lease liabilities of HK$45.7 million (31st December, 2019 – HK$53.1 million).

Pledge of Assets

As at 30th June, 2020, the Group's properties held for sale, financial asset at amortised cost, and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK$21,560.6 million were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

As at 31st December, 2019, the Group's properties held for sale and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK$21,849.7 million were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2020 are shown in the Interim Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2020 are shown in the Interim Financial Statements.

DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2020 (2019 – payment of an interim dividend of HK4.5 cents per ordinary share, absorbing an amount of approximately HK$40.4 million).

HALF YEAR RESULTS

Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2020 (Unaudited) HK$'M	Six months ended 30th June, 2019 (Unaudited) HK$'M
REVENUE (Notes 2 & 3)	**384.8**	1,281.4
Cost of sales	**(345.3)**	(637.3)
Gross profit	**39.5**	644.1
Other income and gains (Note 3)	**95.3**	103.7
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	**(306.5)**	274.2
Fair value gains/(losses) on investment properties, net	**(51.8)**	21.9
Impairment loss on items of property, plant and equipment	**(10.1)**	–
Property selling and marketing expenses	**(0.6)**	(9.2)
Administrative expenses	**(103.0)**	(124.7)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION	**(337.2)**	910.0
Depreciation	**(261.3)**	(266.2)
OPERATING PROFIT/(LOSS) (Note 4)	**(598.5)**	643.8
Finance costs (Note 5)	**(178.7)**	(191.4)
Share of profits and losses of:		
A joint venture	**(76.5)**	(96.1)
Associates	**0.2**	35.8
PROFIT/(LOSS) BEFORE TAX	**(853.5)**	392.1
Income tax (Note 6)	**(6.0)**	(7.2)
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(859.5)**	384.9

Condensed Consolidated Statement of Profit or Loss (Cont'd)

	Six months ended 30th June, 2020	Six months ended 30th June, 2019
	(Unaudited)	(Unaudited)
	HK$'M	HK$'M
Attributable to:		
Equity holders of the parent	**(853.3)**	379.1
Non-controlling interests	**(6.2)**	5.8
	(859.5)	384.9
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK(101.25) cents**	HK35.84 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2020 (Unaudited) HK$'M	Six months ended 30th June, 2019 (Unaudited) HK$'M
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(859.5)**	384.9
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	**(23.1)**	(6.5)
Share of other comprehensive income of:		
A joint venture	**11.4**	233.9
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(11.7)**	227.4
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Fair value loss on equity investment designated at fair value through other comprehensive income	**–**	(49.5)
Share of other comprehensive income of:		
A joint venture	**1,155.5**	–
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**1,155.5**	(49.5)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**1,143.8**	177.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**284.3**	562.8
Attributable to:		
Equity holders of the parent	**290.5**	557.0
Non-controlling interests	**(6.2)**	5.8
	284.3	562.8

Condensed Consolidated Statement of Financial Position

	30th June, 2020 (Unaudited) HK$'M	31st December, 2019 (Audited) HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**8,426.2**	7,962.4
Investment properties	**1,000.0**	1,052.1
Right-of-use assets	**11,081.4**	11,197.7
Properties under development	**443.7**	443.2
Investments in joint ventures	**4,439.1**	3,967.2
Investments in associates	**12.1**	52.9
Financial assets at fair value through profit or loss	**654.3**	755.8
Other loan	**1,062.0**	1,062.0
Debtors and deposits (Note 9)	**77.3**	78.4
Deferred tax assets	**47.5**	47.5
Total non-current assets	**27,243.6**	26,619.2
CURRENT ASSETS		
Properties under development	**890.8**	868.7
Properties held for sale	**240.2**	237.7
Inventories	**27.4**	29.6
Debtors, deposits and prepayments (Note 9)	**244.9**	226.6
Financial asset at amortised cost	**46.5**	–
Financial assets at fair value through profit or loss	**2,187.9**	2,455.7
Other loans	**354.0**	390.8
Derivative financial instruments	**0.4**	3.1
Tax recoverable	**5.7**	4.5
Restricted cash	**71.8**	76.0
Pledged time deposits and bank balances	**256.7**	357.0
Time deposits	**395.2**	631.5
Cash and bank balances	**671.0**	801.6
Total current assets	**5,392.5**	6,082.8

Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2020	31st December, 2019
	(Unaudited)	(Audited)
	HK$'M	HK$'M
CURRENT LIABILITIES		
Creditors, deposits received and accruals (Note 10)	**(259.3)**	(332.1)
Contract liabilities	**(44.3)**	(43.3)
Lease liabilities	**(16.0)**	(16.6)
Interest bearing bank borrowings	**(1,357.6)**	(1,747.0)
Tax payable	**(30.3)**	(59.8)
Total current liabilities	**(1,707.5)**	(2,198.8)
NET CURRENT ASSETS	**3,685.0**	3,884.0
TOTAL ASSETS LESS CURRENT LIABILITIES	**30,928.6**	30,503.2
NON-CURRENT LIABILITIES		
Creditors and deposits received (Note 10)	**(102.1)**	(145.0)
Lease liabilities	**(29.7)**	(36.5)
Interest bearing bank borrowings	**(11,687.8)**	(11,309.5)
Other borrowing	**(2,706.4)**	(2,716.7)
Deferred tax liabilities	**(819.1)**	(839.7)
Total non-current liabilities	**(15,345.1)**	(15,047.4)
Net assets	**15,583.5**	15,455.8
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**89.9**	89.9
Reserves	**13,089.1**	12,908.8
	13,179.0	12,998.7
Perpetual securities	**1,732.9**	1,732.9
Non-controlling interests	**671.6**	724.2
Total equity	**15,583.5**	15,455.8

Notes:

1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2020 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2020.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1st January, 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. 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. The amendments did not have any impact on the Group's condensed consolidated financial statements.

2. Operating Segment Information

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

(a) the 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;

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

(c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;

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

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

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

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

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 and profit/(loss) information for the Group's operating segments:

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	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:																
Sales to external customers	369.4	1,103.8	-	-	5.5	6.6	(18.9)	133.7	18.2	25.9	10.6	11.4	-	-	384.8	1,281.4
Intersegment sales	2.2	2.5	51.0	56.1	2.5	2.5	-	-	-	-	42.9	58.0	(98.6)	(119.1)	-	-
Total	371.6	1,106.3	51.0	56.1	8.0	9.1	(18.9)	133.7	18.2	25.9	53.5	69.4	(98.6)	(119.1)	384.8	1,281.4
Segment results before depreciation	(50.7)	412.9	(5.8)	(5.0)	39.1	105.4	(310.5)	408.9	5.9	17.8	3.0	(2.8)	-	-	(319.0)	937.2
Depreciation	(250.0)	(250.8)	(0.4)	(1.1)	(3.3)	(3.3)	-	-	(5.9)	(9.0)	(1.7)	(2.0)	-	-	(261.3)	(266.2)
Segment operating results	(300.7)	162.1	(6.2)	(6.1)	35.8	102.1	(310.5)	408.9	-	8.8	1.3	(4.8)	-	-	(580.3)	671.0
Unallocated interest income and unallocated non-operating and corporate gains															13.2	10.9
Unallocated non-operating and corporate expenses, net															(31.9)	(38.1)
Finance costs															(178.2)	(191.4)
Share of profits and losses of:																
A joint venture	-	-	-	-	(76.5)	(96.1)	-	-	-	-	-	-	-	-	(76.5)	(96.1)
Associates	-	-	-	-	0.1	35.6	-	-	-	-	0.1	0.2	-	-	0.2	35.8
Profit/(Loss) before tax															(853.5)	392.1
Income tax															(6.0)	(7.2)
Profit/(Loss) for the period before allocation between equity holders of the parent and non-controlling interests															(859.5)	384.9
Attributable to:																
Equity holders of the parent															(853.3)	379.1
Non-controlling interests															(6.2)	5.8
															(859.5)	384.9

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

	Six months ended 30th June, 2020	**Six months ended 30th June, 2019**
	(Unaudited)	**(Unaudited)**
	HK$'M	**HK$'M**
Revenue		
Revenue from contracts with customers		
Hotel operations and management services	**333.5**	1,065.6
Sale of aircraft	**–**	5.9
Other operations	**12.8**	11.3
Revenue from other sources		
Rental income:		
Hotel properties	**28.2**	27.2
Investment properties	**9.2**	14.4
Aircraft	**18.2**	20.0
Others	**1.4**	1.3
Gain/(Loss) from sale of financial assets at fair value through profit or loss, net	**(47.3)**	75.0
Gain on settlement of derivative financial instruments, net	**0.2**	0.3
Interest income from financial assets at fair value through profit or loss	**25.5**	52.2
Dividend income from listed investments	**2.7**	6.1
Other operations	**0.4**	2.1
	384.8	1,281.4

	Six months ended 30th June, 2020 (Unaudited) HK$'M	Six months ended 30th June, 2019 (Unaudited) HK$'M
Other income and gains		
Bank interest income	**12.9**	10.3
Other interest income	**66.0**	83.3
Dividend income from unlisted investments	**16.0**	0.1
Gain on disposal of unlisted investment included in financial assets at fair value through profit or loss	**0.3**	–
Gain on disposal of an investment property	**–**	9.0
Others	**0.1**	1.0
	95.3	103.7

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

	Six months ended 30th June, 2020 (Unaudited) HK$'M	Six months ended 30th June, 2019 (Unaudited) HK$'M
Profit on disposal of a property	**–**	9.0
Depreciation of property, plant and equipment	**144.1**	149.0
Depreciation of right-of-use assets	**117.2**	117.2
	261.3	266.2

5. Finance costs of the Group are as follows:

	Six months ended 30th June, 2020 (Unaudited) HK$'M	Six months ended 30th June, 2019 (Unaudited) HK$'M
Interest on bank loans	**169.4**	163.9
Interest on other borrowings	**53.6**	54.1
Interest on lease liabilities	**0.5**	0.7
Amortisation of debt establishment costs	**16.1**	15.4
Total interest expenses on financial liabilities not at fair value through profit or loss	**239.6**	234.1
Other loan costs	**4.5**	5.3
	244.1	239.4
Less: Finance costs capitalised	**(65.4)**	(48.0)
	178.7	191.4

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

	Six months ended 30th June, 2020 (Unaudited) HK$'M	Six months ended 30th June, 2019 (Unaudited) HK$'M
Current – Hong Kong		
Charge for the period	**26.1**	32.4
Underprovision in prior years	**–**	0.1
Current – Overseas		
Charge for the period	**–**	0.5
Underprovision in prior years	**0.5**	0.2
Deferred	**(20.6)**	(26.0)
Total tax charge for the period	**6.0**	7.2

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2019 – 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

The share of tax attributable to a joint venture amounting to HK$3.1 million (2019 – HK$3.9 million) is included in "Share of profits and losses of a joint venture and associates" in the condensed consolidated statement of profit or loss.

7. Dividend:

	For year ending 31st December, 2020	**For year ended 31st December, 2019**
	HK$'M	**HK$'M**
Interim – Nil (2019 – HK4.5 cents per ordinary share)	–	40.4

8. The calculation of basic earnings/(loss) per ordinary share for the period ended 30th June, 2020 is based on the loss for the period attributable to equity holders of the parent of HK$853.3 million (2019 – profit of HK$379.1 million), adjusted for the distribution related to perpetual securities of HK$56.7 million (2019 – HK$57.0 million), and on the weighted average of 898.8 million (2019 – 898.8 million) ordinary shares of the Company in issue during the period.

No adjustment was made to the basic earnings/(loss) per ordinary share for the periods ended 30th June, 2020 and 2019 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

9. Included in debtors, deposits and prepayments is an amount of HK$38.6 million (31st December, 2019 – HK$81.0 million) representing the trade debtors of the Group. The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2020	31st December, 2019
	(Unaudited)	(Audited)
	HK$'M	HK$'M
Outstanding balances with ages:		
Within 3 months	**21.1**	62.5
Between 4 to 6 months	**1.2**	3.6
Between 7 to 12 months	**5.4**	7.0
Over 1 year	**20.6**	16.1
	48.3	89.2
Impairment	**(9.7)**	(8.2)
	38.6	81.0

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

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

10. Included in creditors, deposits received and accruals is an amount of HK$24.7 million (31st December, 2019 – HK$52.9 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:

	30th June, 2020	**31st December, 2019**
	(Unaudited)	**(Audited)**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**24.7**	52.6
Between 4 to 6 months	**–**	0.3
	24.7	52.9

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2020.

REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2020 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditor, whose review report is contained in the Company's interim report for the six months ended 30th June, 2020 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2020, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30th June, 2020, except that:

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

(2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises the following members:

Executive Directors:
Mr. LO Yuk Sui
(Chairman and Chief Executive Officer)
Miss LO Po Man
(Vice Chairman and Managing Director)
Ms. Belinda YEUNG Bik Yiu, JP
(Chief Operating Officer)
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
Mr. Kenneth NG Kwai Kai
Mr. Allen WAN Tze Wai

Non-Executive Director:
Dr. Francis CHOI Chee Ming, GBS, JP
(Vice Chairman)

Independent Non-Executive Directors:
Ms. Alice KAN Lai Kuen
Professor Japhet Sebastian LAW
Ms. Winnie NG, JP
Mr. WONG Chi Keung

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 25th August, 2020