



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)



2021 INTERIM REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Lo Po Man

(Vice Chairman and Managing Director)

Belinda Yeung Bik Yiu, JP

(Chief Operating Officer)

Donald Fan Tung

Jimmy Lo Chun To

Kenneth Ng Kwai Kai

Allen Wan Tze Wai

Non-Executive Director

Francis Choi Chee Ming, GBS, JP

(Vice Chairman)

Independent Non-Executive Directors

Alice Kan Lai Kuen

Japhet Sebastian Law

Winnie Ng, JP

Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Francis Choi Chee Ming, GBS, JP

Alice Kan Lai Kuen

Japhet Sebastian Law

Winnie Ng, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Alice Kan Lai Kuen

Winnie Ng, JP

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Alice Kan Lai Kuen

Winnie Ng, JP

Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited

Bank of Communications (Hong Kong) Limited

The Bank of East Asia, Limited

Cathay United Bank Company, Limited, Hong Kong Branch

China CITIC Bank International Limited

China Construction Bank Corporation, Hong Kong Branch

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

Chiyu Banking Corporation Limited

Chong Hing Bank Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China (Asia) Limited

Nanyang Commercial Bank, Limited

Oversea-Chinese Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

United Overseas Bank Limited, Hong Kong Branch

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited

4th Floor North, Cedar House, 41 Cedar Avenue

Hamilton HM 12, Bermuda

BRANCH REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

REGISTERED OFFICE

4th Floor North, Cedar House, 41 Cedar Avenue

Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street

Causeway Bay, Hong Kong

Tel: 2894 7888

Fax: 2890 1697

Website: www.regal.com.hk

Mr. Lo Yuk Sui, aged 76; *Chairman and Chief Executive Officer* – Chairman and Managing Director since 1989 when the Company was established in Bermuda as the holding company of the Group. Mr. Lo has been the managing director and the chairman of the predecessor listed company of the Group since 1984 and 1987 respectively. He was designated as the Chief Executive Officer of the Company in 2007. He is also an executive director, the chairman and the chief executive officer of Century City International Holdings Limited (“CCIHL”) (the ultimate listed holding company of the Company), Paliburg Holdings Limited (“PHL”) (the immediate listed holding company of the Company) and Cosmopolitan International Holdings Limited (“Cosmopolitan”) (the listed fellow subsidiary of the Company), and a non-executive director and the chairman of Regal Portfolio Management Limited (“RPML”), the manager of Regal Real Estate Investment Trust (the listed subsidiary of the Company). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Miss Lo Po Man and Mr. Jimmy Lo Chun To.

Miss Lo Po Man, aged 41; *Vice Chairman and Managing Director* – Joined the Group in 2000 and appointed to the Board in 2004. Miss Lo has been a Vice Chairman and the Managing Director of the Company since 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor's Degree in Psychology. Miss Lo is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Dr. Choi Chee Ming (Alias: Francis), GBS, JP, aged 75; *Vice Chairman and Non-Executive Director* – Invited to the Board as Non-Executive Director and elected Vice Chairman in 2004. Dr. Francis Choi holds a Master's Degree in Business Administration from the Newport University in the United States of America. He also holds a Ph. D. in Business Management from Harbin Institute of Technology, the People's Republic of China (the “PRC”) and an Honorary Degree of Doctor of Business Administration from The Hong Kong Polytechnic University. Dr. Choi is the chairman of Early Light International (Holdings) Limited and has extensive business interests in the manufacturing industry and the property sector. He is the Honorary President of the Toys Manufacturers' Association of Hong Kong, Honorary President of the Hong Kong Young Industrialists Council and the Court Member of The Hong Kong Polytechnic University, a member of Sun Yat-sen University Advisory Board, the PRC and the Honorary Chairman of the Board of Trustees of Shaoguan University, the PRC.

Ms. Yeung Bik Yiu, Belinda, JP, aged 63; *Executive Director and Chief Operating Officer* – Appointed to the Board in 2002 and designated as the Chief Operating Officer in 2007. Ms. Belinda Yeung joined the Group in 1987. Graduated from Barron Hilton School of Hotel Management, University of Houston, U.S.A., Ms. Yeung has devoted her career in the hospitality industry in U.S.A., Mainland China and Hong Kong – on both multi-unit corporate and single-unit hotel property management levels. As the Chief Operating Officer, Ms. Yeung is in charge of the operations of all Regal Hotels in Hong Kong and Mainland China. In addition to her hotel management responsibilities, she is also responsible for the human resources management of the Century City Group. Ms. Yeung is a member of Election Committee for the Hong Kong Chief Executive Election, a non-official member of the Business Facilitation Advisory Committee of the Government of Hong Kong, First Vice Chairman of the Federation of Hong Kong Hotel Owners, Fellow of The Hong Kong Polytechnic University and Honorary Fellow of the Vocational Training Council.

DIRECTORS' PROFILE (Cont'd)

Mr. Fan Tung, Donald, aged 64; *Executive Director* – Appointed to the Board in 2002. Mr. Donald Fan is a qualified architect. He has been with the Group since 1987 and is primarily in charge of the property investment and development businesses and the hotel project works of the Group. Mr. Fan is also an executive director of CCIHL, an executive director and the chief operating officer of PHL and a non-executive director of RPML. He is involved in the property development, architectural design and project management functions as well as overseeing the building construction business of the PHL Group.

Ms. Kan Lai Kuen, Alice, aged 66; *Independent Non-Executive Director* – Invited to the Board as Independent Non-Executive Director in 2004. Ms. Alice Kan is also an independent non-executive director of Cosmopolitan. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong (the "SFO"). She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of Jolimark Holdings Limited, Shima Group Holdings Limited and Shima Services Holdings Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Professor Japhet Sebastian Law, aged 69; *Independent Non-Executive Director* – Invited to the Board as Independent Non-Executive Director in 2012. Professor Law obtained his Ph.D. in Mechanical/Industrial Engineering from The University of Texas at Austin in 1976. He joined The Chinese University of Hong Kong in 1986 and was a professor in the Department of Decision Sciences and Managerial Economics and the director of the Aviation Policy and Research Center until his retirement since August 2012. He was also the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 to 2002. Prior to returning to Hong Kong, Professor Law was the director of operations research at the Cullen College of Engineering and director of graduate studies in Industrial Engineering at the University of Houston, and he was also involved with the United States Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Professor Law has acted as a consultant for various corporations in Hong Kong and overseas. He is active in public services, having served as a member of the Provisional Regional Council of the Government of the Hong Kong Special Administrative Region and various other government advisory committees, and he is also active in serving on the boards of for-profit, non-profit, public and charitable organisations in Hong Kong and overseas. Professor Law is currently an independent non-executive director of Binhai Investment Company Limited, Global Digital Creations Holdings Limited, Shougang Fushan Resources Group Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited and Tianjin Port Development Holdings Limited, all of which are companies listed on the Stock Exchange. He was also an independent non-executive director of Beijing Capital International Airport Company Limited, a company listed on the Stock Exchange, and is currently an independent member of the Supervisory Board. Professor Law has also served on various committees and boards of international organisations, including The Association to Advance Collegiate Schools of Business, Graduate Management Admission Council and Oxfam International.

Mr. Lo Chun To (Alias: Jimmy), aged 47; *Executive Director* – Appointed to the Board in 1999. Mr. Jimmy Lo is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director and a vice chairman and the managing director of Cosmopolitan, and a non-executive director of RPML. Mr. Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. Mr. Lo joined the Century City Group in 1998. He is primarily involved in overseeing the Cosmopolitan group's property projects in the PRC and, in addition, undertakes responsibilities in the business development of the Century City Group. Mr. Lo is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Mr. Ng Kwai Kai (Alias: Kenneth), aged 66; *Executive Director* – Joined the Group in 1985 and appointed to the Board in 1998. Mr. Kenneth Ng is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and Cosmopolitan, and a non-executive director of RPML. Mr. Ng is a Chartered Secretary and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group.

Ms. Winnie Ng, JP, aged 57; *Independent Non-Executive Director* – Invited to the Board as Independent Non-Executive Director in 2018. She is also an independent non-executive director of CCIHL and PHL since 2018. Ms. Ng holds an MBA (Master of Business Administration) from University of Chicago and an MPA (Master of Public Administration) from Harvard University. Ms. Ng has received numerous awards and recognition. In 2019, Ms. Ng received the Outstanding Businesswomen Award and in 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award and China Top Ten Outstanding Women Entrepreneurs. In previous years, she received recognitions as a Woman of Excellence in Hong Kong, one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, Yazhou Zhoukan Young Chinese Entrepreneur Award and was Mason Fellow of Harvard University. Active in public service, Ms. Ng is Director of Po Leung Kuk, Member of Women's Commission, Member of Town Planning Board, Director of CUHK Medical Centre, Advisor of Our Hong Kong Foundation, Council Member of The Better Hong Kong Foundation, and Court Member of The Hong Kong Polytechnic University. She was Chairman of Hospital Governing Committee of Prince of Wales Hospital from 2014 to 2020, Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, Member of Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016, Member of Employees Retraining Board and its Course Vetting Committee Convenor, and Member of Vocational Training Council from 2011 to 2017. Ms. Ng is also a non-executive director of Transport International Holdings Limited, and she was the founder, deputy chairman and a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited). Both companies are listed on the Stock Exchange.

Mr. Wan Tze Wai, Allen, aged 62; *Executive Director* – Appointed to the Board in 2010. Mr. Allen Wan has been with the Century City Group for over 27 years and is the Group Financial Controller of the Century City Group. Mr. Wan holds a Bachelor's Degree in Commerce from the University of New South Wales in Australia. He is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Wan has over 39 years of experience in finance and accounting field.

DIRECTORS' PROFILE (Cont'd)

Mr. Wong Chi Keung, aged 66; *Independent Non-Executive Director* – Invited to the Board as Independent Non-Executive Director in 2004. He is also an independent non-executive director of CCIHL and PHL. Mr. Wong holds a Master's Degree in Business Administration from the University of Adelaide in Australia. Mr. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Chartered Governance Institute and The Chartered Institute of Management Accountants. Mr. Wong is a responsible officer for asset management and advising on securities under the SFO. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as Yuexiu Property Company Limited), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard Hotel Group Limited, Asia Standard International Group Limited, Changyou Alliance Group Limited, China Ting Group Holdings Limited, Golden Eagle Retail Group Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 38 years of experience in finance, accounting and management.

Dear shareholders,

I am pleased to present herewith the 2021 Interim Report of the Company.

FINANCIAL RESULTS

For the six months ended 30th June, 2021, the Group recorded an unaudited consolidated loss attributable to shareholders of HK\$276.4 million, as compared to the loss of HK\$853.3 million for the comparative period in the prior year.

As mentioned in the announcement on the Group's financial information update published by the Company on 17th August, 2021, the core hotel businesses of the Group continued to be severely disrupted by the COVID-19 pandemic but with the modified business strategies and the implementation of operational streamlining measures, the Group was able to maintain an overall net operating profit in its hotel operations during the first half of 2021, although the quantum was far below its normal pre-pandemic level. However, as there were notable improvements in other business segments covering investments in financial assets and interests in joint ventures, the loss incurred for the interim period of 2021 was substantially lower than that recorded for the comparative period in 2020.

Moreover, it should be noted that as the Group's hotel properties in Hong Kong are all owned and self-operated by subsidiaries of the Company and classified in the Group's consolidated financial statements as property, plant and equipment and right-of-use assets, 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\$251.1 million which, although not affecting cash flow, have nevertheless adversely impacted the reported results. As a matter of fact, most of the loss incurred by the Group for the period under review could be attributed to these depreciation charges.

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 value as at 30th June, 2021, an Adjusted Net Asset Statement is presented in the section headed "Management Discussion and Analysis" in this Interim Report, 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, 2021, the underlying adjusted net asset value of the Company would amount to HK\$20.45 per share.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

According to a recent research report by the World Bank Group, the global economy is set to expand strongly in 2021. The recovery is, however, uneven and largely reflects the sharp rebounds in some major economies, most notably the United States, owing to substantial fiscal support. Global manufacturing activity has strengthened, with industrial production surpassing its pre-pandemic level, while the services sector activity, especially travel and tourism, remained soft.

According to preliminary estimates, the Gross Domestic Product of China for the first half of 2021 increased by 12.7% year-on-year, which is 5.6 percentage points lower than that of the first quarter of 2021. As the macro policies of the central government of China have been shifting from supporting activity to reducing financial stability risks, future economic growth of China may further moderate.

CHAIRMAN'S STATEMENT (Cont'd)

Benefiting from the improving global economic conditions, there were notable increases in both domestic and external demands for Hong Kong during the period. The seasonally adjusted unemployment rate decreased from 6% in the period from March to May to 5.5% in the period from April to June 2021, which is the fourth consecutive moving three-month period that registered a decline. The underemployment rate also decreased from 2.8% to 2.5% over the same comparative period. Hong Kong's GDP in real terms in the first half of 2021 grew by 7.8% year-on-year, compared with the increase of 8.0% in the first quarter.

During the six months under review, there were only minimal visitors to Hong Kong, with total visitor arrivals, including those from Mainland China, having dropped by 99.0% year-on-year. Based on the 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, 2021 was 56.0%, an increase of 17 percentage points year-on-year, but the average achieved room rate shrank by 8.4%. Although the average Revenue per Available Room (RevPAR) for the period has consequently increased by 31.7% year-on-year, this reflected to a very large extent the effect of the low comparative base in 2020.

HOTEL OWNERSHIP

The occupation permit for the Group's second hotel at the Hong Kong International Airport, the Regala Skycity Hotel, developed by a wholly owned subsidiary of the Company under a sublease from the Airport Authority was issued in March 2021. This new hotel embraces a wide range of sustainable features in its building design, construction and operation and was awarded Gold Rating under Provisional Assessment of BEAM Plus Certification. A new 4-year Green Loan for this hotel property in an aggregate facility amount of HK\$3,100.0 million was most recently concluded with a syndicate of bank lenders. The hotel is planned to be opened for business before the end of this year.

The design and planning programme for the renovation of an existing property owned by the Group in London, the United Kingdom, into a hotel is being refined and the renovation works are now anticipated to be commenced in the first quarter of 2022. The new hotel will be self-operated by the Group upon completion of the renovation works.

The lessee of the hotel that the Group owns in Barcelona, Spain continues to be in default under the lease. The Group has commenced legal proceedings against the lessee to enforce its rights under the lease agreement, including recovery of possession.

REGAL REAL ESTATE INVESTMENT TRUST

The Group holds 74.9% of the outstanding units of Regal REIT and Regal Portfolio Management Limited, a wholly owned subsidiary of the Company, acts as the REIT Manager.

For the six months ended 30th June, 2021, Regal REIT recorded an unaudited consolidated loss before distribution to Unitholders of HK\$74.5 million, as compared to the loss of HK\$2,096.2 million for the corresponding period in 2020. The loss recorded for the interim period was principally attributable to the reduction of HK\$213.1 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, 2021, as compared to the appraised value as of 31st December, 2020. For the corresponding period last year, a fair value loss of HK\$2,288.2 million was recorded. If these fair value changes are excluded, the core operating profit before distribution to its unitholders for the interim period would amount to HK\$138.6 million, as compared to HK\$192.0 million for the same period in 2020.

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 three other iclub Hotels, have been leased by Regal REIT to Favour Link International Limited, a wholly owned subsidiary of the Company, for hotel operations.

Subsequent to the interim period, in early August 2021, Regal REIT concluded a new 5-year financing facility with a syndicate of banks, which is comprised of a term loan of HK\$4,500.0 million and a revolving loan of up to HK\$500.0 million and secured on four Regal Hotels. The new term loan will be wholly used to repay the existing term loan facility owing by Regal REIT in the same principal amount that matures in September 2021. The new revolving loan facility will be reserved for its general corporate funding purposes.

HOTEL OPERATIONS

As mentioned above, the Group's hotel operation business, which is operated through Favour Link, continued to be severely disrupted by the COVID-19 pandemic. Total revenue (including rental income) from the business operation of all the five Regal Hotels and four iclub Hotels in the first six months of 2021 amounted to HK\$336.1 million (2020 – HK\$361.1 million). Through the implementation of operational streamlining measures, these hotels have nevertheless managed to achieve an overall gross operating profit of HK\$20.6 million during this interim period, a modest improvement over the HK\$16.3 million attained in the comparative period in 2020.

As there were minimal inbound visitors, the hotels in Hong Kong have had to adjust their business strategies to attract additional long stay and staycation businesses from local client sources. On the other hand, the imposed quarantine requirements have also generated businesses for those hotels that have enrolled in the Hong Kong Government's Designated Quarantine Hotel Scheme. Although these businesses have helped to improve room occupancies, the achieved room rates continued to be under pressure due to their different demand characteristics and keen market competition.

During the interim period, the combined average occupancy of the five Regal Hotels was 47.5%, compared to 37.4% for the same period last year, while their combined average room rate decreased by 32.0%. Consequently, their combined average RevPAR has dropped by 13.7% year-on-year.

Apart from the five Regal Hotels, three other iclub hotels, namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, have also been leased by Regal REIT to Favour Link for hotel operations. During the interim period, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel attained a combined average occupancy of 72.8%, an increase of 5.3 percentage points as compared to the corresponding period in 2020. As their combined average room rate was only 0.8% below the level for the same period last year, their combined average RevPAR improved by 7.0% year-on-year.

As for the iclub Ma Tau Wai Hotel, it was acquired by Regal REIT from P&R Holdings Limited, a 50/50 joint venture between the Group and Paliburg Holdings Limited, the immediate listed parent of the Company, in 2017. Under the arrangement agreed with P&R Holdings, Favour Link as the lessee of this hotel 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 the initial 5 years of the lease term.

To discharge its corporate social responsibility as a corporate citizen to help combat the spread of the pandemic, three of the hotels under leases from Regal REIT, namely, the Regal Airport Hotel, the Regal Oriental Hotel and the iclub Ma Tau Wai Hotel, have enrolled in the Designated Quarantine Hotel Scheme serving as hotels for quarantine purposes since December 2020.

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 six iclub Hotels operating in Hong Kong, including the iclub Mong Kok Hotel wholly owned by P&R Holdings and the iclub AMTD Sheung Wan Hotel which is 50% owned by P&R Holdings and officially opened in November 2020. The Regala Skycity Hotel, which is planned to be opened for business before the end of this year, will be the next major addition to the management portfolio of Regal Hotels International in Hong Kong.

In Mainland China, Regal Hotels International is presently managing a total of five Regal Hotels, including two in Shanghai, two in Dezhou and one in Xian. Three other hotels to be managed by the Group are under development, which are separately located in Chengdu, Jiangmen and Kunshan.

PROPERTIES

Despite the impact of the pandemic and the political and economic disputes affecting Hong Kong, the real estate market in Hong Kong was resilient. Due to the apparent imbalance between demand and supply, the pent-up demand for different types of residential properties remained strong. Transaction volume of residential properties, including both primary and secondary market transactions, was robust in the first half of 2021, with property prices slowly edging towards historical heights. Meanwhile, benefiting from the reviving economy in Hong Kong, the mass vaccine rollout and the easing of restriction measures, the other sectors of the local real estate market, including the retail and commercial sectors, also recovered gradually during this interim period.

The Mount Regalia in Kau To, Sha Tin is a major residential development undertaken by P&R Holdings. The development has a total of 24 garden houses and 136 apartment units, complemented with car parks and club house facilities. This development has received eight international awards including winner of Luxury Lifestyle Awards as Best Luxury Residential Development and Best Luxury Sustainable Residential Development in Hong Kong in 2021 as well as for the superb interior designs of certain of its show houses and apartment units. Property sales of this development have progressed steadily and, up to date, a total of 15 garden houses and 43 apartment units have been sold or contracted to be sold. The unsold houses and apartment units, comprising the majority portion of the properties available for sale in this development, will continue to be marketed for sale on a gradual basis.

Only a small proportion of the contracted property sales at Mount Regalia was completed during the first six months of 2021 and the profits accounted for in the results under review. The majority proportion of the contracted sales to-date is still pending completion, with completion dates scheduled within the next one to two years. These remaining contracted sales as well as any future sales will further generate substantial cash flow and profits as and when the sale transactions are completed. In the meantime, a small number of units are reserved for rental purposes.

The Group is developing through one of its wholly owned subsidiaries a commercial/residential project named as "The Queens" at No. 160 Queen's Road West, Hong Kong, comprising a total of 130 residential units with club house facilities and commercial accommodations. The presale of the first batch of the residential units was launched in April this year and the project is scheduled to be completed in the second half of 2022.

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. The global coronavirus pandemic has severely affected air passenger traffic, which put some airline operators under financial pressures. The leases for the two aircraft leased to a major airline operator are running on normal terms but the lessee of the other aircraft continued to be in payment defaults under the lease. The Group is now working closely with the professional aircraft manager on possible sale or re-lease situations for this aircraft.

OUTLOOK

While the international trade disputes and geopolitical tensions continue to heighten, the outlook for the global economy in the second half of this year is still crowded with uncertainties. Moreover, the Delta variant is causing renewed fears in many countries in the world, as an increasing number of cases infected with this variant is identified in their local communities. On a positive note, vaccination rates are stepping up at a steady pace in many major countries, including Mainland China, which should provide prospects for relief in the future.

Riding on the economic recovery achieved in the first six months, the Government of Hong Kong has recently implemented a relief measure, among other key supportive measures, to distribute a total of HK\$36 billion consumption vouchers to eligible residents in Hong Kong, which should help boost local consumption in the second half of 2021. In the past few months, Hong Kong has been able to successfully contain the spread of the COVID-19 pandemic in the local community. The Government of Hong Kong has also been urging its citizens to participate in its vaccination programme, with a view to achieving herd immunity within the shortest possible time, in order for all social and economic activities to be able to return to normal.

As far as Regal REIT is concerned, rental income for the second half of 2021 will remain stable, as substantially all of the hotels within its property portfolio are under leases with pre-determined annual base rents or fixed rent. The REIT Manager is still positive on the future prospects of Hong Kong and believes that once the borders reopen and the national and international traffic resumes, the tourist and hospitality sectors in Hong Kong should be able to gradually revive.

The Group has recently implemented a series of financing arrangements to consolidate and strengthen its financial position for the long term. The Group is optimistic that, with the backing of its strong asset base and diversified business platform, it will be able to regain growth momentum soon after the impact of the pandemic subsides.

LO YUK SUI

Chairman

Hong Kong
24th August, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise hotel ownership business undertaken through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("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 sections headed "Financial Results", "Business Overview" and "Outlook", respectively, in the preceding Chairman's Statement as well as in this section.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Business Overview" and "Outlook" in the preceding Chairman's Statement and in this section.

A brief review on the development projects and properties of the Group, which are all wholly owned by the Group (except as otherwise denoted), and those undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings Limited ("Cosmopolitan"), and on the Group's financial assets and other investments is set out below.

Hong Kong

New hotel project at the Hong Kong International Airport, named as "Regala Skycity Hotel"

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

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

The occupation permit for this new hotel was issued in March 2021. The hotel has 13 storeys (including one basement floor) with a total of 1,208 guestrooms and suites, complemented with extensive banquet, meeting and food and beverage facilities. This new hotel embraces a wide range of sustainable features in its building design, construction and operation and was awarded Gold Rating under Provisional Assessment of BEAM Plus Certification.

The hotel will be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses, which is planned to be opened for business before the end of 2021.

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

The project has a combined site area of 682 square metres (7,342 square feet) and 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 on the second floor and commercial accommodations on the ground and first floors. The foundation works have been completed and the superstructure works are in progress. The project is expected to be completed in 2022. Presale of some of the residential units was launched in April 2021 and marketing and sale activities are continuing.

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

The properties presently comprise 100% ownership interests of Nos.227-227A of Hai Tan Street and interests in over 80% undivided shares of Nos.227B-227C of Hai Tan Street. The properties have a total site area of 431 square metres (4,644 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.

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

Since the last balance sheet date, the Group has contracted to sell 3 garden houses in Regalia Bay at satisfactory prices. Presently, the Group still retains a total of 9 garden houses in Regalia Bay with total gross area of about 4,178 square metres (44,972 square feet), 3 of which are held as investment properties, 3 as held for sale and 3 as property, plant and equipment and right-of-use assets. The Group will continue to dispose of some of these remaining houses if the prices offered are 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 lessee continues to be in default on rental payments under the lease and the Group has commenced legal proceedings against the lessee to enforce its rights under the lease agreement, including recovery of possession.

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 and planning programme for the renovation of this property into a hotel with a restaurant is being refined and the renovation works are now anticipated to be commenced in the first quarter of 2022. The hotel will be self-operated by the Group on completion of the renovation works.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

The Group has recently acquired the remaining 10% equity interest from the other shareholder and now wholly owns 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. There have been some delays due to the coronavirus pandemic and project completion is now expected to be in the fourth 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 Holdings Limited (“PHL”), the immediate listed holding company of the Company, with capital contributions provided by the Company and PHL 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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

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

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

With the exception of 1 unit, all the units in the apartment block, named Domus, had been sold. The garden houses comprised within this development are named as Casa Regalia. At present, 9 houses in Casa Regalia are still being retained, which are planned to be disposed of on a gradual basis but some of them may in the meantime be retained for rental income.

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

This development has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. This shopping mall was opened for business in 2018 and is held for rental income. Although the rental rates on new leaseings and lease renewals during the period have been affected by the adverse impact brought about by the pandemic, the overall leasing status of this shopping mall remained stable.

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

This is a joint venture project undertaken pursuant to a tender award by the Urban Renewal Authority of Hong Kong in 2014. The land has a site area of 824.9 square metres (8,879 square feet) and has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement car parks. The project was completed in 2018 and the residential units have all been sold. An agreement for the sale of 1 shop unit and 1 car park was recently entered into subsequent to the interim period. The remaining shops and car parks will continue to be marketed for sale.

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

The project has a site area of 17,476 square metres (188,100 square feet) which has been developed into a luxury residential complex comprising 7 mid-rise apartment blocks with 136 units, 24 detached garden houses and 197 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.

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

The sale programme commenced in early 2019 and, up to date, 15 garden houses and 43 apartment units together with 75 car parks have been sold or contracted to be sold for aggregate gross consideration of about HK\$3,354 million, at relatively attractive prices as compared to the development costs. Only a small proportion of the contracted property sales at Mount Regalia was completed during the first six months of 2021 and the profits accounted for in the results under review. As at 30th June, 2021, the contracted sales for 10 houses and 24 apartment units with an aggregate gross consideration of about HK\$1,960 million are still pending completion, with completion dates scheduled within the next one to two years. These remaining contracted sales as well as any future sales will further generate substantial cash flow and profits as and when the sale transactions are completed. In the meantime, a small number of units are reserved for rental purposes.

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

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

The project has been developed into a 20-storey hotel, comprising 288 guestrooms with ancillary facilities. The hotel was opened for business in March 2019 and 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.

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

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and has been developed into a hotel with 98 guestrooms and suites (total 162 room bays), with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet).

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 was officially opened for business in November 2020 and is self-operated by the joint venture entity and managed by the management subsidiary of Regal.

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 and the 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, subject to final approval by relevant government authorities.

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, 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 before the end of 2021. Nearly all of the residential units 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. Total sales proceeds amount to approximately RMB2,031.3 million (HK\$2,443.0 million), of which approximately RMB1,986.1 million (HK\$2,388.7 million) have been received by the Cosmopolitan group as deposits under the presale contracts. The residential units are planned to be delivered to the respective unit purchasers in stages beginning from the fourth quarter of this year.

Presale of the shops in the third stage of about 2,350 square metres (25,300 square feet) has been launched in July 2020. Up to date, a total of 1,853 square meters (19,900 square feet) of shops have been presold under contracts, at aggregate sale considerations of approximately RMB65.0 million (HK\$78.2 million). Presale of 1,389 car parking spaces has also been launched in the third quarter of 2020. Up to date, a total of 277 car parking spaces have been presold under contracts, for aggregate sales proceeds of approximately RMB31.8 million (HK\$38.2 million).

The interior design works with a revised scheme for the 325-room hotel are progressing in full swing. The interior fitting-out works are scheduled to commence in the first quarter of 2022 and the hotel is anticipated to open in phases from the first quarter of 2023.

The construction works of the remaining commercial components within the development, comprising a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) are in steady progress. The substructure and superstructure works are targeted to be completed in the fourth quarter of 2021 and mid-2023, respectively. The market repositioning works of the six-storey shopping mall are in progress. The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 20,000 square metres (215,200 square feet), has commenced in May 2021. Up to date, a total of 88 units with a total of about 3,837 square meters (41,300 square feet) have been presold under contracts or subscribed by prospective purchasers for an aggregate sale consideration of RMB34.6 million (HK\$41.6 million). The presale of the remaining four office towers consisting of 1,356 units with a total of about 66,000 square metres (710,500 square feet) will follow in phases with reference to the market environment.

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 sale contracts 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 with a total of about 17,530 square metres (188,700 square feet) is planned to be launched in the second half of 2021. The presale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), will be launched in phases thereafter. The market positioning works for the commercial podium are 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) 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 the relevant re-forestation contract remain valid and effective.

FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, private equities, bonds as well as treasury and yield enhancement products. Despite the disruption in the global economy caused by the pandemic, the capital markets worldwide have gradually recovered during the period under review. Benefiting from this relatively favourable environment, the Group has been able to secure improved results in the investment business segment in the first six months of 2021, as compared with the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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 and impairment. 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, 2021, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$20.45 per share, computed as follows:

	As at 30th June, 2021	
	HK\$'million	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	12,447.8	13.85
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	<u>5,934.3</u>	<u>6.60</u>
Unaudited adjusted net assets attributable to equity holders of the parent	<u><u>18,382.1</u></u>	<u><u>20.45</u></u>

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 issued under its Medium Term Note Programme were 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 may consider, when deemed appropriate, 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 used in operating activities of HK\$115.4 million (2020 – net cash flows generated from operating activities of HK\$481.7 million). Net interest payment for the period amounted to HK\$64.8 million (2020 – HK\$134.2 million).

Borrowings and Gearing

As at 30th June, 2021, the Group had cash and bank balances and deposits of HK\$3,079.3 million (31st December, 2020 – HK\$2,748.8 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$12,956.8 million (31st December, 2020 – HK\$13,264.7 million).

As at 30th June, 2021, the gearing ratio of the Group was 40.4% (31st December, 2020 – 40.9%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK\$12,956.8 million (31st December, 2020 – HK\$13,264.7 million), as compared to the total assets of the Group of HK\$32,037.6 million (31st December, 2020 – HK\$32,459.3 million).

On the basis of the adjusted total assets as at 30th June, 2021 of HK\$39,794.1 million (31st December, 2020 – HK\$40,176.7 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 32.6% (31st December, 2020 – 33.0%).

As at 30th June, 2021, the Group had net current liabilities of HK\$3,388.6 million (31st December, 2020 – HK\$3,792.7 million), with certain bank and other borrowings due to mature or to be repaid in the second half of the financial year ending 31st December, 2021. In February 2021, the Group joined in a refinancing with a syndicate of bank lenders for a 3-year term facility in an aggregate facility amount of HK\$4,125.0 million secured on the Mount Regalia properties, of which HK\$1,125.0 million was made directly available to the Group as a revolving loan facility.

Subsequent to the reporting period, the Group fully repaid the outstanding balance of its medium term notes in the principal amount of HK\$2,690.5 million due in July 2021 through its internal resources. Moreover, Regal REIT completed a new 5-year financing facility comprised of a term loan of HK\$4,500.0 million and a revolving loan of up to HK\$500.0 million secured on its four Regal Hotels in early August 2021 and, most recently, the Group concluded a new 4-year Green Loan for the Regala Skycity Hotel in an aggregate facility amount of HK\$3,100.0 million.

Details of the maturity profile of the borrowings of the Group as of 30th June, 2021 are shown in notes 11 and 12 to the condensed consolidated financial statements.

Lease Liabilities

As at 30th June, 2021, the Group had lease liabilities of HK\$20.7 million (31st December, 2020 – HK\$27.8 million).

Pledge of Assets

As at 30th June, 2021, 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 derivative financial instruments, time deposits and bank balances in the total amount of HK\$21,160.1 million (31st December, 2020 – HK\$21,288.1 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2021 are shown in note 17 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2021 are shown in note 16 to the condensed consolidated financial statements.

Share Capital

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

DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2021 (2020 – Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

STAFF AND REMUNERATION POLICY

The Group employs approximately 1,410 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2, 3	404.3	384.8
Cost of sales		<u>(322.2)</u>	<u>(345.3)</u>
Gross profit		82.1	39.5
Other income and gains	3	56.5	95.3
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		37.1	(306.5)
Fair value gains/(losses) on investment properties, net		4.3	(51.8)
Impairment loss on items of property, plant and equipment		(30.4)	(10.1)
Property selling and marketing expenses		(8.4)	(0.6)
Administrative expenses		<u>(110.7)</u>	<u>(103.0)</u>
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION		30.5	(337.2)
Depreciation		<u>(269.3)</u>	<u>(261.3)</u>
OPERATING LOSS	4	(238.8)	(598.5)
Finance costs	5	(132.4)	(178.7)
Share of profits and losses of:			
A joint venture		71.1	(76.5)
Associates		<u>(1.2)</u>	<u>0.2</u>
LOSS BEFORE TAX		(301.3)	(853.5)
Income tax	6	<u>7.4</u>	<u>(6.0)</u>
LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		<u>(293.9)</u>	<u>(859.5)</u>
Attributable to:			
Equity holders of the parent		(276.4)	(853.3)
Non-controlling interests		<u>(17.5)</u>	<u>(6.2)</u>
		<u>(293.9)</u>	<u>(859.5)</u>
LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>HK(37.07) cents</u>	<u>HK(101.25) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(293.9)	(859.5)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	6.7	(23.1)
Share of other comprehensive income of:		
A joint venture	3.0	11.4
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	9.7	(11.7)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of:		
A joint venture	(34.9)	1,155.5
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(25.2)	1,143.8
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(319.1)	284.3
Attributable to:		
Equity holders of the parent	(308.8)	290.5
Non-controlling interests	(10.3)	(6.2)
	(319.1)	284.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		8,646.6	8,596.5
Investment properties		901.0	900.6
Right-of-use assets		10,802.7	10,917.3
Properties under development		444.9	444.3
Investments in joint ventures		3,474.7	4,010.1
Investments in associates		10.1	11.3
Financial assets at fair value through profit or loss		654.7	743.6
Debtors and deposits	9	89.4	77.3
Deferred tax assets		48.2	50.1
Total non-current assets		25,072.3	25,751.1
CURRENT ASSETS			
Properties under development		968.3	927.2
Properties held for sale		241.0	240.2
Inventories		24.2	25.2
Debtors, deposits and prepayments	9	273.8	282.1
Financial assets at fair value through profit or loss		2,015.4	1,941.1
Other loans		357.3	535.9
Derivative financial instruments		1.5	–
Tax recoverable		4.5	7.7
Restricted cash		88.7	88.5
Pledged time deposits and bank balances		225.7	311.3
Time deposits		705.8	81.9
Cash and bank balances		2,059.1	2,267.1
Total current assets		6,965.3	6,708.2
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10	(272.7)	(274.7)
Contract liabilities		(97.8)	(53.6)
Lease liabilities		(11.3)	(12.0)
Interest bearing bank borrowings	11	(7,250.7)	(7,426.3)
Other borrowing	12	(2,690.3)	(2,707.0)
Tax payable		(31.1)	(27.3)
Total current liabilities		(10,353.9)	(10,500.9)
NET CURRENT LIABILITIES		(3,388.6)	(3,792.7)
TOTAL ASSETS LESS CURRENT LIABILITIES		21,683.7	21,958.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT LIABILITIES			
Creditors and deposits received	10	(105.3)	(104.5)
Lease liabilities		(9.4)	(15.8)
Interest bearing bank borrowings	11	(6,095.1)	(5,880.2)
Deferred tax liabilities		(774.2)	(801.8)
Total non-current liabilities		<u>(6,984.0)</u>	<u>(6,802.3)</u>
Net assets		<u>14,699.7</u>	<u>15,156.1</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		89.9	89.9
Reserves		12,357.9	12,716.3
		<u>12,447.8</u>	12,806.2
Perpetual securities		1,732.9	1,732.9
Non-controlling interests		519.0	617.0
Total equity		<u>14,699.7</u>	<u>15,156.1</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2021

	Attributable to equity holders of the parent											
	Issued capital (Unaudited) HK\$'m	Share premium account (Unaudited) HK\$'m	Capital redemption reserve (Unaudited) HK\$'m	Capital reserve (Unaudited) HK\$'m	Property revaluation reserve (Unaudited) HK\$'m	Fair value reserve (Unaudited) HK\$'m	Exchange equalisation reserve (Unaudited) HK\$'m	Retained profits (Unaudited) HK\$'m	Total (Unaudited) HK\$'m	Perpetual securities (Unaudited) HK\$'m	Non-controlling interests (Unaudited) HK\$'m	Total equity (Unaudited) HK\$'m
At 1st January, 2021	89.9	404.7	17.7	1,269.3	8.1	(280.0)	(6.5)	11,303.0	12,806.2	1,732.9	617.0	15,156.1
Loss for the period	-	-	-	-	-	-	-	(276.4)	(276.4)	-	(17.5)	(293.9)
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	6.9	-	6.9	-	(0.2)	6.7
Share of other comprehensive loss of a joint venture	-	-	-	0.2	-	(35.1)	3.0	-	(31.9)	-	-	(31.9)
Total comprehensive income/(loss) for the period	-	-	-	0.2	-	(35.1)	9.9	(276.4)	(301.4)	-	(17.7)	(319.1)
Distribution to non-controlling interests of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	(62.9)	(62.9)
Distribution to holders of perpetual securities	-	-	-	-	-	-	-	(56.8)	(56.8)	-	-	(56.8)
Capital reserve arising from acquisition of additional interest in a listed subsidiary	-	-	-	(0.2)	-	-	-	-	(0.2)	-	-	(0.2)
Acquisition of additional interest in a listed subsidiary	-	-	-	-	-	-	-	-	-	-	(17.4)	(17.4)
At 30th June, 2021	89.9	404.7	17.7	1,269.3	8.1	(315.1)	3.4	10,969.8	12,447.8	1,732.9	519.0	14,699.7

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

For the six months ended 30th June, 2021

	Attributable to equity holders of the parent											
	Issued capital (Unaudited) HK\$m	Share premium account (Unaudited) HK\$m	Capital redemption reserve (Unaudited) HK\$m	Capital reserve (Unaudited) HK\$m	Property revaluation reserve (Unaudited) HK\$m	Fair value reserve (Unaudited) HK\$m	Exchange equalisation reserve (Unaudited) HK\$m	Retained profits (Unaudited) HK\$m	Total (Unaudited) HK\$m	Perpetual securities (Unaudited) HK\$m	Non-controlling interests (Unaudited) HK\$m	Total equity (Unaudited) HK\$m
At 1st January, 2020	89.9	404.7	17.7	231.3	8.1	-	(108.8)	12,355.8	12,998.7	1,732.9	724.2	15,455.8
Loss for the period	-	-	-	-	-	-	-	(853.3)	(853.3)	-	(6.2)	(859.5)
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(23.1)	-	(23.1)	-	-	(23.1)
Share of other comprehensive income of a joint venture	-	-	-	1,038.0	-	117.5	11.4	-	1,166.9	-	-	1,166.9
Total comprehensive income/(loss) for the period	-	-	-	1,038.0	-	117.5	(11.7)	(853.3)	290.5	-	(6.2)	284.3
Elimination of reciprocal interests	-	-	-	-	-	-	-	0.4	0.4	-	-	0.4
Final 2019 dividend declared	-	-	-	-	-	-	-	(53.9)	(53.9)	-	-	(53.9)
Distribution to non-controlling interests of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	(46.4)	(46.4)
Distribution to holders of perpetual securities	-	-	-	-	-	-	-	(56.7)	(56.7)	-	-	(56.7)
At 30th June, 2020	89.9	404.7	17.7	1,269.3	8.1	117.5	(120.5)	11,392.3	13,179.0	1,732.9	671.6	15,583.5

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from/(used in) operating activities	(115.4)	481.7
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment properties	–	(0.3)
Purchases of items of property, plant and equipment	(212.4)	(575.2)
Proceeds from disposal of financial assets at fair value through profit or loss	104.9	14.5
Purchases of financial assets at fair value through profit or loss	(11.6)	(13.1)
Distribution from financial assets at fair value through profit or loss	16.5	47.3
Purchases of financial assets at amortised cost	–	(46.5)
Acquisition of additional interest in a listed subsidiary	(19.2)	–
Advances to a joint venture	(1,032.1)	(119.1)
Repayment from a joint venture	1,594.3	63.8
Advances to an associate	–	(41.0)
Interest received	68.2	63.5
Dividend received from unlisted investments	17.5	57.0
Decrease in other loans	178.6	36.8
Decrease in pledged time deposits and bank balances	85.6	100.3
Decrease/(Increase) in restricted cash	(0.2)	3.0
Increase in time deposit with an original maturity of more than three months when acquired	(0.1)	(11.2)
Net cash flows from/(used in) investing activities	790.0	(420.2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in other borrowings	(23.3)	–
Drawdown of new bank loans	795.1	581.0
Repayment of bank loans	(757.2)	(605.8)
Interest paid	(138.1)	(232.3)
Payment of loan and other costs	(17.2)	(4.6)
Principal portion of lease payments	(7.0)	(8.2)
Dividends paid	–	(46.0)
Distributions to non-controlling interests of a listed subsidiary	(62.9)	(46.4)
Distribution to holders of perpetual securities	(56.8)	(56.7)
Decrease in restricted cash	–	1.2
Net cash flows used in financing activities	(267.4)	(417.8)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

	Note	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
		HK\$'million	HK\$'million
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		407.2	(356.3)
Cash and cash equivalents at beginning of period		2,337.8	1,433.1
Effect of foreign exchange rate changes, net		8.6	(21.8)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>2,753.6</u>	<u>1,055.0</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	13(a)	2,764.9	1,066.2
Non-pledged time deposit with an original maturity of more than three months when acquired	13(a)	(11.3)	(11.2)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		<u>2,753.6</u>	<u>1,055.0</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies and Basis of Preparation

The condensed consolidated financial statements for the six months ended 30th June, 2021 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 (“HKICPA”). The condensed financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated statements for the year ended 31st December, 2020. 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, 2020, 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, 2021.

The Group had a net loss attributable to owners of the parent of HK\$276.4 million (2020 – HK\$853.3 million) for the six months ended 30th June, 2021 and net current liabilities of HK\$3,388.6 million (31st December, 2020 – HK\$3,792.7 million) and net assets of HK\$14,699.7 million (31st December, 2020 – HK\$15,156.1 million) as at 30th June, 2021. The Group had total non-pledged time deposits, cash and bank balances of HK\$2,764.9 million as at 30th June, 2021 (31st December, 2020 – HK\$2,349.0 million). The Group also had net cash flows used in operating activities of HK\$115.4 million for the six months ended 30th June, 2021 (2020 – net cash flows generated from operating activities of HK\$481.7 million).

The condensed consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 30th June, 2021, after taking into consideration the following:

- (i) the estimated cash flows of the Group for the next twelve months from the end of the reporting period;
- (ii) the available unutilised banking facilities of the Group; and
- (iii) the refinancing concluded subsequent to the reporting period for certain interest bearing bank borrowings that are secured by certain properties as disclosed as events after the reporting period in note 19 to the condensed consolidated financial statements.

The Group has adopted the following revised HKFRSs for the first time for the current period’s condensed consolidated financial statements.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19-Related Rent Concessions

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the Euro Interbank Offered Rate as at 30th June, 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30th June, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The Group has not applied the practical expedient to any rent concessions granted by the lessors as a direct consequence of the COVID-19 pandemic. Accordingly, the adoption of the amendment has had no significant impact on the financial position and performance of the Group.

2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has 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 Real Estate Investment Trust ("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 (Note) 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 and retail shops, 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 loss before tax except that certain interest income, non-lease-related finance costs, head office and corporate gains and expenses are excluded from such measurement.

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.

Note:

The Group owns a fleet of 3 passenger aircraft comprising two Airbus A320-232 and one Airbus A319-133 with a net carrying amount of HK\$309.3 million and average lease rental yield ranging from 8.6% to 8.9%.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

The following table presents 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, 2020 (Unaudited)		Six months ended 30th June, 2020 (Unaudited)		Six months ended 30th June, 2020 (Unaudited)		Six months ended 30th June, 2020 (Unaudited)		Six months ended 30th June, 2020 (Unaudited)		Six months ended 30th June, 2020 (Unaudited)		Six months ended 30th June, 2020 (Unaudited)		Six months ended 30th June, 2020 (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	338.9	369.4	-	-	5.1	5.5	22.6	(18.9)	15.7	18.2	22.0	10.6	-	-	404.3	384.8
Intersegment sales	2.3	2.2	42.5	51.0	2.5	2.5	-	-	-	-	53.0	42.9	(100.3)	(98.6)	-	-
Total	341.2	371.6	42.5	51.0	7.6	8.0	22.6	(18.9)	15.7	18.2	75.0	53.5	(100.3)	(98.6)	404.3	384.8
Segment results before depreciation	(10.6)	(50.7)	(6.4)	(5.8)	37.1	39.1	64.6	(310.5)	(19.6)	5.9	3.9	3.0	-	-	69.0	(319.0)
Depreciation	(258.9)	(250.0)	-	(0.4)	(2.9)	(3.3)	-	-	(5.8)	(5.9)	(1.7)	(1.7)	-	-	(269.3)	(261.3)
Segment operating results	(269.5)	(300.7)	(6.4)	(6.2)	34.2	35.8	64.6	(310.5)	(25.4)	-	2.2	1.3	-	-	(200.3)	(580.3)
Unallocated interest income and unallocated non-operating and corporate gains															5.7	13.2
Unallocated non-operating and corporate expenses, net															(44.4)	(81.9)
Finance costs (other than interests on lease liabilities)															(132.2)	(178.2)
Share of profits and losses of:																
A joint venture	-	-	-	-	71.1	(76.5)	-	-	-	-	-	-	-	-	71.1	(76.5)
Associates	-	-	-	-	(0.6)	0.1	-	-	-	-	(0.6)	0.1	-	-	(1.2)	0.2
Loss before tax															(301.3)	(833.5)
Income tax															7.4	(6.0)
Loss for the period before allocation between equity holders of the parent and non-controlling interests															(293.9)	(839.5)
Attributable to:																
Equity holders of the parent															(276.4)	(833.3)
Non-controlling interests															(17.5)	(6.2)
															(293.9)	(839.5)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

3. Revenue, Other Income and Gains

Revenue, other income and gains are analysed as follows:

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Hotel operations and management services	309.6	333.5
Other operations	24.3	12.8
<i>Revenue from other sources</i>		
Rental income:		
Hotel properties	27.8	28.2
Investment properties	2.5	9.2
Aircraft	15.7	18.2
Others	1.4	1.4
Gain/(Loss) from sale of financial assets at fair value through profit or loss, net	14.7	(47.3)
Gain on settlement of derivative financial instruments, net	0.3	0.2
Interest income from financial assets at fair value through profit or loss	4.6	25.5
Dividend income from listed investments	3.0	2.7
Other operations	0.4	0.4
	404.3	384.8

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers and the reconciliation with the operating segment information:

For the six months ended 30th June, 2021

Segments	Hotel operation and management and hotel ownership (Unaudited)	Property development and investment (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK'million	HK'million	HK'million	HK'million
Types of goods or services				
Hotel operations and management services				
Hotel operations	306.8	–	–	306.8
Management services	2.8	–	–	2.8
Other operations	–	2.8	21.5	24.3
Total revenue from contracts with customers	<u>309.6</u>	<u>2.8</u>	<u>21.5</u>	<u>333.9</u>
Geographical markets				
Hong Kong	307.3	2.8	21.5	331.6
Mainland China	2.3	–	–	2.3
Total revenue from contracts with customers	<u>309.6</u>	<u>2.8</u>	<u>21.5</u>	<u>333.9</u>
Timing of revenue recognition				
At a point in time	90.8	–	0.9	91.7
Over time	218.8	2.8	20.6	242.2
Total revenue from contracts with customers	<u>309.6</u>	<u>2.8</u>	<u>21.5</u>	<u>333.9</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30th June, 2020

Segments	Hotel operation and management and hotel ownership (Unaudited) HK'million	Property development and investment (Unaudited) HK'million	Others (Unaudited) HK'million	Total (Unaudited) HK'million
Types of goods or services				
Hotel operations and management services				
Hotel operations	331.4	–	–	331.4
Management services	2.1	–	–	2.1
Other operations	–	2.6	10.2	12.8
Total revenue from contracts with customers	<u>333.5</u>	<u>2.6</u>	<u>10.2</u>	<u>346.3</u>
Geographical markets				
Hong Kong	331.6	2.6	10.2	344.4
Mainland China	1.9	–	–	1.9
Total revenue from contracts with customers	<u>333.5</u>	<u>2.6</u>	<u>10.2</u>	<u>346.3</u>
Timing of revenue recognition				
At a point in time	105.1	–	0.4	105.5
Over time	228.4	2.6	9.8	240.8
Total revenue from contracts with customers	<u>333.5</u>	<u>2.6</u>	<u>10.2</u>	<u>346.3</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

For the six months ended 30th June, 2021				
Segments	Hotel operation and management and hotel ownership (Unaudited)	Property development and investment (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Revenue from contracts with customers				
External customers	309.6	2.8	21.5	333.9
Intersegment sales	–	–	53.0	53.0
	309.6	2.8	74.5	386.9
Intersegment adjustments and eliminations	–	–	(53.0)	(53.0)
Total revenue from contracts with customers	<u>309.6</u>	<u>2.8</u>	<u>21.5</u>	<u>333.9</u>

For the six months ended 30th June, 2020				
Segments	Hotel operation and management and hotel ownership (Unaudited)	Property development and investment (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Revenue from contracts with customers				
External customers	333.5	2.6	10.2	346.3
Intersegment sales	–	–	42.9	42.9
	333.5	2.6	53.1	389.2
Intersegment adjustments and eliminations	–	–	(42.9)	(42.9)
Total revenue from contracts with customers	<u>333.5</u>	<u>2.6</u>	<u>10.2</u>	<u>346.3</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
<u>Other income and gains</u>		
Bank interest income	3.9	12.9
Other interest income	46.6	66.0
Dividend income from unlisted investments	17.5	16.0
Gain/(Loss) on disposal of unlisted investments included in financial assets at fair value through profit or loss	(12.9)	0.3
Others	1.4	0.1
	56.5	95.3
	56.5	95.3

4. Loss Before Tax

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
Depreciation of property, plant and equipment	154.0	144.1
Depreciation of right-of-use assets	115.3	117.2
	269.3	261.3
	269.3	261.3
Government subsidies* (included in cost of sales and administrative expenses)	8.7	24.0
	8.7	24.0
	8.7	24.0

* The Government subsidies were granted under the Anti-epidemic Fund during the period. There are no unfulfilled conditions relating to these grants.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

5. Finance Costs

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans	79.4	169.4
Interest on other borrowing	53.3	53.6
Interest on lease liabilities	0.2	0.5
Amortisation of debt establishment costs	17.6	16.1
Total interest expenses on financial liabilities not at fair value through profit or loss	150.5	239.6
Other loan costs	4.1	4.5
	154.6	244.1
Less: Finance costs capitalised	(22.2)	(65.4)
	<u>132.4</u>	<u>178.7</u>

6. Income Tax

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
Current – Hong Kong Charge for the period	17.7	26.1
Current – Overseas Underprovision in prior years	–	0.5
Deferred	(25.1)	(20.6)
Total tax charge/(credit) for the period	<u>(7.4)</u>	<u>6.0</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2020 - 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\$0.8 million (2020 - HK\$3.1 million) is included in "Share of profits and losses of a joint venture and associates" in the condensed consolidated statement of profit or loss.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

7. Dividend

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2021 (2020 - Nil).

8. Loss Per Ordinary Share Attributable to Equity Holders of the Parent

(a) Basic loss per ordinary share

The calculation of basic loss per ordinary share for the period ended 30th June, 2021 is based on the loss for the period attributable to equity holders of the parent of HK\$276.4 million (2020 - HK\$853.3 million), adjusted for the distribution related to perpetual securities of HK\$56.8 million (2020 - HK\$56.7 million), and on the weighted average of 898.8 million (2020 - 898.8 million) ordinary shares of the Company in issue during the period.

(b) Diluted loss per ordinary share

No adjustment was made to the basic loss per ordinary share for the periods ended 30th June, 2021 and 2020 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

9. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$39.4 million (31st December, 2020 - HK\$37.2 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, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	30.1	29.0
4 to 6 months	5.4	4.2
7 to 12 months	8.7	6.7
Over 1 year	19.8	17.5
	<u>64.0</u>	<u>57.4</u>
Impairment	(24.6)	(20.2)
	<u>39.4</u>	<u>37.2</u>

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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.

Included in the Group's debtors, deposits and prepayments are amounts due from fellow subsidiaries of HK\$24.5 million (31st December, 2020 - HK\$11.2 million) and an amount due from an associate of a joint venture of HK\$1.5 million (31st December, 2020 - HK\$4.7 million).

10. Creditors, Deposits Received and Accruals

Included in the balance is an amount of HK\$31.2 million (31st December, 2020 - HK\$31.7 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, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	29.6	31.7
4 to 6 months	1.6	–
	<u>31.2</u>	<u>31.7</u>

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

Included in creditors, deposits received and accruals are amounts due to associates, a joint venture and fellow subsidiaries of HK\$15.0 million (31st December, 2020 - HK\$13.4 million), HK\$22.7 million (31st December, 2020 - HK\$22.7 million) and HK\$7.7 million (31st December, 2020 - HK\$7.0 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

11. Interest Bearing Bank Borrowings

	30th June, 2021 (Unaudited)		31st December, 2020 (Audited)	
	Maturity	HK\$'million	Maturity	HK\$'million
Current				
Bank loans – secured	2021 - 2022	7,250.7	2021	7,426.3
Non-current				
Bank loans – secured	2022 - 2024	6,095.1	2022 - 2024	5,880.2
		<u>13,345.8</u>		<u>13,306.5</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

	30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	7,250.7	7,426.3
In the second year	3,374.9	374.8
In the third to fifth years, inclusive	2,720.2	5,505.4
	<u>13,345.8</u>	<u>13,306.5</u>

On 12th September, 2016, Regal REIT group, through wholly owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$1,000.0 million (the "2016 IH Facilities"), for a term of five years to September 2021. The 2016 IH Facilities are secured by four of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. As at 30th June, 2021, the 2016 IH Facilities had an outstanding amount of HK\$4,515.0 million, representing the full amount of the term loan facility and the revolving loan portion of HK\$15.0 million.

On 8th March, 2018, Regal REIT group, through a wholly owned subsidiary, Ricobem Limited, arranged a bilateral term loan facility of HK\$3,000.0 million (the "2018 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. This facility has a term of five years to March 2023. As at 30th June, 2021, the outstanding amount of the 2018 RKH Facility was HK\$3,000.0 million, representing the full amount of the term loan facility.

On 19th July, 2019, Regal REIT group, through a wholly owned subsidiary, Sonnix Limited, entered into a facility agreement for a term loan facility of HK\$440.0 million (the "2019 WC Facility"), for a term of five years to July 2024. The 2019 WC Facility is secured by the iclub Wan Chai Hotel. On 22nd June, 2020, the 2019 WC Facility amount was revised to HK\$405.0 million for purpose of compliance with an undertaking condition in the facility agreement. As at 30th June, 2021, the outstanding amount on the 2019 WC Facility was HK\$405.0 million.

On 19th October, 2018, Regal REIT group, through a wholly owned subsidiary, Tristan Limited, arranged a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million (the "2018 SW Facilities"), secured by the iclub Sheung Wan Hotel. The 2018 SW Facilities has a five year term to October 2023. As at 30th June, 2021, the utilised amount of the 2018 SW Facilities was HK\$790.0 million, representing the full amount of the term loan facility and the revolving loan amount of HK\$158.0 million.

On 29th November, 2018, Regal REIT group, through a wholly owned subsidiary, Wise Decade Investments Limited, arranged another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (subsequently reduced to HK\$44.0 million in September 2020) (the "2018 FH Facilities"), secured by the iclub Fortress Hill Hotel. The 2018 FH Facilities has a term of five years to November 2023. As at 30th June, 2021, the outstanding amount of the 2018 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

On 4th September, 2017, Regal REIT group, through a wholly owned subsidiary, Land Crown International Limited, arranged a term loan facility of HK\$748.0 million (the "2017 MTW Facility"), secured by the iclub Ma Tau Wai Hotel. The 2017 MTW Facility has a term of three years to September 2020. On 27th August, 2020, a supplement to the 2017 MTW Facility agreement was entered into, with the principal loan amount amended and restated at HK\$621.0 million (the "2020 MTW Facility"), for a new term of three years to September 2023. As at 30th June, 2021, the outstanding amount of the 2020 MTW Facility was HK\$621.0 million, representing the full amount of the term loan facility.

As at 30th June, 2021, the outstanding loan facilities bore interest at the Hong Kong Interbank Offered Rate plus an interest margin ranging from 0.92% per annum to 1.20% per annum (31st December, 2020 - ranging from 0.92% per annum to 1.20% per annum).

Bank borrowings under the 2016 IH Facilities, the 2018 RKH Facility, the 2019 WC Facility, the 2018 SW Facilities, the 2018 FH Facilities and the 2020 MTW Facility are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

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

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

As at 30th June, 2021, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.98% per annum to 2.75% per annum except for a bank loan of HK\$12.2 million, which bore interest at Euro Interbank Offered Rates plus 2.5% per annum, and bank loans of HK\$25.4 million, which bore interest at the bank's cost of fund plus an interest margin 0.75% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$37.6 million which were denominated in Euro.

As at 31st December, 2020, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.98% per annum to 1.85% per annum except for a bank loan of HK\$7.0 million, which bore interest at Euro Interbank Offered Rate plus an interest margin of 2.5% per annum and bank loans of HK\$92.7 million, which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$57.0 million which were denominated in United States dollars and bank loans of HK\$33.0 million which were denominated in Euro.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 15 to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

12. Other Borrowing

	30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Current		
Other borrowing - unsecured Repayable in the first year	<u>2,690.3</u>	<u>2,707.0</u>

On 5th October, 2012, RH International Finance Limited (the "MTN Issuer"), a wholly owned subsidiary of the Company, established a US\$1,000 million medium term note programme (the "MTN Programme").

On 20th July, 2016, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$350.0 million at a coupon interest rate of 3.875% per annum. The notes were issued at a discount at 99.663% of the principal amount.

13. Notes to the condensed consolidated statement of cash flows

(a) Cash and cash equivalent balances

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
Cash and bank balances	2,059.1	671.0
Non-pledged time deposits with an original maturity of less than three months when acquired	694.5	384.0
Non-pledged time deposit with an original maturity of more than three months when acquired	<u>11.3</u>	<u>11.2</u>
Cash and cash equivalents	<u>2,764.9</u>	<u>1,066.2</u>

(b) Major non-cash transaction

- (i) During the six months ended 30th June, 2020, the Group received 533,333,332 ordinary shares of Cosmopolitan International Holdings Limited ("Cosmopolitan") with a fair value of HK\$650.7 million from P&R Holdings Limited ("P&R Holdings") as a dividend. The Group has accounted for the equity investment as a financial asset at fair value through profit or loss.
- (ii) During the six months ended 30th June, 2020, dividend receivable from an associate of HK\$41.0 million was used to offset the amount due to associate of HK\$54.3 million.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

14. Related Party Transactions

(a) Transactions with related parties

The Group had the following material related party transactions during the period:

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
Fellow subsidiaries:		
Management fees	19.5	18.5
Development consultancy fees	–	2.3
Service fees in respect of security systems and products and other software	0.5	0.3
Repairs and maintenance fees and construction fees	5.6	4.7
An associate:		
Advertising and promotion fees (including cost reimbursements)	4.4	1.1
A joint venture:		
Gross interest income	42.9	65.5
Estate management fee income	1.1	1.2
Acquisition of Regal REIT units*	19.2	–
	<u> </u>	<u> </u>

* As disclosed in the joint announcement by the Company dated 27th April, 2021, the Group acquired from a subsidiary of Cosmopolitan certain Regal REIT units at a cash consideration of approximately HK\$19.2 million.

The nature and terms of other related party transactions above have not changed and were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2020.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

(b) Outstanding balances with related parties, net of impairment:

	30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Due from fellow subsidiaries	24.5	11.2
Due to a joint venture	(22.7)	(22.7)
Due to associates	(15.0)	(13.4)
Due to fellow subsidiaries	(7.7)	(7.0)
Loans to a joint venture	2,270.0	2,832.2
Due from a joint venture	133.0	149.1
Due from associates	6.1	6.7
Due from an associate of a joint venture	1.5	4.7
Other loan	357.3	535.9
	357.3	535.9

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

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	15.0	13.9
Staff retirement scheme contributions	1.0	0.9
Total compensation paid to key management personnel	16.0	14.8

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

15. Pledge of Assets

As at 30th June, 2021, 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, derivative financial instruments, time deposits and bank balances in the total amount of HK\$21,160.1 million (31st December, 2020 – HK\$21,288.1 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.

16. Contingent Liabilities

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

	30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture	2,691.8	2,084.7
Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture	<u>178.6</u>	<u>178.6</u>

At 30th June, 2021, the banking facilities granted to certain subsidiaries and an associate of a joint venture subject to corporate guarantees given on a several basis to banks by the Group were utilised to the extent of HK\$2,691.8 million (31st December, 2020 - HK\$2,084.7 million) and HK\$178.6 million (31st December, 2020 - HK\$178.6 million), respectively.

At 30th June, 2021, a corporate guarantee in respect of attributable share of a demand bond issued by a bank to Urban Renewal Authority amounting to HK\$4.0 million (31st December, 2020 - HK\$4.0 million) in relation to a hotel project of a joint venture has been provided by the Group.

In addition, corporate guarantee has been given to a bank by the Group for a performance bond issued by the bank in relation to a property development contract undertaken by the Group amounting to HK\$15.0 million (31st December, 2020 - HK\$15.0 million).

17. Commitments

At 30th June, 2021, the Group's share of maximum capital commitment as agreed for P&R Holdings in respect of its property development projects amounted to HK\$3,700.0 million (31st December, 2020 - HK\$3,700.0 million) (the "P&R Capital Commitment"). At 30th June, 2021, shareholder's loans in an aggregate amount of HK\$1,401.4 million (31st December, 2020 - HK\$619.6 million) have been contributed, of which HK\$900.0 million (31st December, 2020 - HK\$118.2 million) has been provided under the P&R Capital Commitment and bear interest at not more than 5% per annum. In addition, a total amount of HK\$2,870.4 million (31st December, 2020 - HK\$2,263.3 million) has been provided as guarantees, on a several basis, for banking facilities granted to certain subsidiaries and an associate of P&R Holdings, of which HK\$2,691.8 million (31st December, 2020 - HK\$2,084.7 million) and HK\$178.6 million (31st December, 2020 - 178.6 million), respectively, has been provided under the P&R Capital Commitment.

In addition, three (31st December, 2020 - three) loan facilities totalling HK\$2,212.6 million (31st December, 2020 - HK\$2,212.6 million) have been granted to P&R Holdings, of which HK\$868.7 million (31st December, 2020 - HK\$2,212.6 million) has been utilised, which bear interest at fixed rates of 4% to 5% per annum (2020 - 4% to 5% per annum).

At the end of the reporting period, the Group's share of the P&R Holdings group's own capital commitments in respect of property development projects was as follows:

	30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Contracted, but not provided for	<u>474.4</u>	<u>465.7</u>

In addition to the above share of a joint venture's own capital commitments, the Group had the following capital commitments at the end of the reporting period:

	30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Contracted, but not provided for: Property development projects	<u>455.3</u>	<u>500.8</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

18. Fair Value and Fair Value Hierarchy of Financial Instruments

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

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

Fair value hierarchy

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

Assets measured at fair value as at 30th June, 2021

	Fair value measurement using			Total (Unaudited) HK\$'million
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'million	Significant observable inputs (Level 2) (Unaudited) HK\$'million	Significant unobservable inputs (Level 3) (Unaudited) HK\$'million	
Financial assets at fair value through profit or loss:				
Listed equity investments	1,882.2	–	–	1,882.2
Listed debt investments	–	133.2	–	133.2
Unlisted equity investments	–	–	140.1	140.1
Unlisted fund investments	–	–	508.1	508.1
Unlisted debt investments	–	–	6.5	6.5
Derivative financial instruments	–	1.5	–	1.5
	1,882.2	134.7	654.7	2,671.6

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Assets measured at fair value as at 31st December, 2020

	Fair value measurement using			Total (Audited) HK\$'million
	Quoted prices in active markets (Level 1) (Audited) HK\$'million	Significant observable inputs (Level 2) (Audited) HK\$'million	Significant unobservable inputs (Level 3) (Audited) HK\$'million	
Financial assets at fair value through profit or loss:				
Listed equity investments	1,810.6	–	–	1,810.6
Listed debt investments	–	130.5	–	130.5
Unlisted equity investments	–	–	169.8	169.8
Unlisted fund investments	–	–	568.6	568.6
Unlisted debt investments	–	–	5.2	5.2
	<u>1,810.6</u>	<u>130.5</u>	<u>743.6</u>	<u>2,684.7</u>

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

	2021 (Unaudited)	2020 (Audited)
	HK\$'million	HK\$'million
Financial assets at fair value through profit or loss – unlisted investments:		
At 1st January	743.6	755.8
Purchases	11.6	36.1
Distributions	(16.5)	(55.9)
Total gains recognised in profit or loss, net	8.5	65.6
Disposals	(92.5)	(58.0)
At 30th June/31st December	<u>654.7</u>	<u>743.6</u>

Liabilities measured at fair value as at 30th June, 2021

The Group did not have any financial liabilities measured at fair value as at 30th June, 2021 (year ended 31st December, 2020 - Nil).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (year ended 31st December, 2020 - Nil).

Valuation techniques

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

The fair values of certain listed equity investments and listed debt investments are determined based on the market values provided by financial institutions.

The fair value of unlisted equity investments, unlisted debt investments and certain unlisted fund investments are determined by reference to recent transaction prices of the investments or carried at valuations provided by financial institutions or related administrators.

The fair values of certain unlisted fund investments are assessed to approximate the net asset values indicated on the net asset value statements issued by the investment fund managers, which take into consideration the fair values of the underlying assets held under the investments. For unlisted investment funds classified under Level 3 of the fair value measurement hierarchy, when the net asset value increases/decreases, the fair value will increase/decrease accordingly.

The fair values of the derivative financial instruments, including foreign currency forward contracts and foreign currency swaps, are determined based on market values provided by financial institutions.

19. Events After the Reporting Period

Subsequent to the reporting period, the Group fully repaid the outstanding balance of its medium term notes in the principal amount of HK\$2,690.5 million due in July 2021 through its internal resources. Moreover, Regal REIT group completed a new 5-year financing facility comprised of a term loan of HK\$4,500.0 million and a revolving loan of up to HK\$500.0 million secured on its four Regal Hotels in early August 2021 and, most recently, the Group concluded a new 4-year Green Loan for the Regala Skycity Hotel in an aggregate facility amount of HK\$3,100.0 million.

20. Approval of the Unaudited Condensed Consolidated Financial Statements

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 24th August, 2021.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2021)
				Personal interests	Corporate interests	Family/Other interests	
1.	The Company	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		Miss Lo Po Man	Ordinary (issued)	300,000	269,169 (Note d)	–	569,169 (0.06%)
		Dr. Francis Choi Chee Ming	Ordinary (issued)	50,240,000	–	–	50,240,000 (5.59%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	10,200	–	–	10,200 (0.001%)
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	110,887,396	1,769,164,691 (Note a)	380,683	1,880,432,770 (58.69%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	24,000	–	–	24,000 (0.001%)

OTHER INFORMATION (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2021)
				Personal interests	Corporate interests	Family/Other interests	
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Allen Wan Tze Wai	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	4,194,426,144 (Note e)	–	4,194,426,144
			(ii) (unissued)	–	3,545,487,356 (Note f)	–	3,545,487,356
			Preference (issued)	–	2,295,487,356 (Note f)	–	2,295,487,356 (99.99%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.02%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.04%)
						Total:	7,739,913,500 (131.35%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2021)
				Personal interests	Corporate interests	Family/Other interests	
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note h)	–	1,000 (100%)

Notes:

- (a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").
- (b) The interests in 694,124,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.68% shareholding interests.

The interests in 16,271,685 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (c) The interests in 421,400 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.68% shareholding interests. The interests in 622,433,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 62.28% shareholding interests. PHL held 69.25% shareholding interests in the Company.
- (d) The interests in 269,169 issued ordinary shares of the Company were held through a company wholly owned by Miss Lo Po Man.

OTHER INFORMATION (Cont'd)

- (e) The interests in 2,595,901,480 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. The interests in the other 1,065,191,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. The interests in the other 533,333,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of PHL. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in the Company. Mr. Lo held 58.68% shareholding interests in CCIHL.
- (f) The interests in 3,545,487,356 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in the Company. Mr. Lo held 58.68% shareholding interests in CCIHL.

The interests in 2,295,487,356 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,295,487,356 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,250,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds in a principal amount of HK\$500,000,000 issued by a wholly owned subsidiary of Cosmopolitan. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).
- (g) The interests in 2,439,613,739 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in the Company. Mr. Lo held 58.68% shareholding interests in CCIHL.
- (h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.68% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2021, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2021, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 30th June, 2021
YSL International Holdings Limited ("YSL Int'l") (Note i)	622,855,261	–	622,855,261	69.30%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	622,855,261	–	622,855,261	69.30%
CCIHL (Note iii)	622,855,261	–	622,855,261	69.30%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	622,855,261	–	622,855,261	69.30%
PHL (Note v)	622,433,861	–	622,433,861	69.25%
Paliburg Development BVI Holdings Limited (Note vi)	622,433,861	–	622,433,861	69.25%
Guo Yui Investments Limited (Note vi)	271,140,466	–	271,140,466	30.17%
Paliburg BVI Holdings Limited (Note vi)	230,870,324	–	230,870,324	25.69%
Taylor Investments Ltd. (Note vi)	154,232,305	–	154,232,305	17.16%
Glaser Holdings Limited (Note vi)	58,682,832	–	58,682,832	6.53%
H.P. Nominees Limited (Note vi)	55,480,885	–	55,480,885	6.17%

Notes:

- (i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.
- (iii) CCIHL is owned as to 50.89% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.
- (iv) CCBVI is a wholly owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (v) PHL is a listed subsidiary of CCIHL, which held 62.28% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.
- (vi) These companies are wholly owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.

OTHER INFORMATION (Cont'd)

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30th June, 2021, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

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

- (1) Mr. Lo Yuk Sui is a director of YSL Int'l.
- (2) Mr. Lo Yuk Sui, Miss Lo Po Man and Mr. Jimmy Lo Chun To are directors of Grand Modern.
- (3) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Mr. Kenneth Ng Kwai Kai, Ms. Winnie Ng and Mr. Wong Chi Keung are directors of CCIHL and PHL.
- (4) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To and Mr. Kenneth Ng Kwai Kai are directors of all the above-mentioned wholly owned subsidiaries of CCIHL and PHL.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the financial year ended 31st December, 2020 is set out below:

Name of Director	Details of changes
<i>Independent Non-Executive Director:</i>	
Mr. Wong Chi Keung	Appointed as an independent non-executive director of Guoan International Limited, a company listed on the Stock Exchange, with effect from 13th April, 2021 and subsequently resigned with effect from 9th June, 2021.

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

DISCLOSURE PURSUANT TO RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Rule 13.22 of Chapter 13 of the Listing Rules relating to the information required to be disclosed under Rule 13.16:

Financial Assistance provided to and Guarantees given for Affiliated Companies (Rule 13.16 of Chapter 13)

Details of the financial assistance provided to affiliated companies by the Group as at 30th June, 2021 are set out below:

Name of Affiliated Companies		Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Banking Facilities	
				(i) Principal Amount of Banking Facilities (HK\$'million)	(ii) Amount of Banking Facilities Drawdown (HK\$'million)
8D International (BVI) Limited	(A)	13.6	–	Nil	Nil
8D Matrix Limited	(B)	68.9	–	Nil	Nil
P&R Holdings Limited	(C)	<u>2,270.0</u>	<u>(D) 133.0</u>	<u>(E)(i) 2,870.4</u>	<u>(E)(ii) 2,870.4</u>
				Total: (A) to (E)(i)	<u>5,355.9</u>
				(A) to (D) & (E)(ii)	<u>5,355.9</u>

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of the Company, which was principally involved in the development and distribution of technologically advanced security and building related systems and software development and promotions businesses. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by CCIHL and 60% by Mr. Lo through his close associates (as defined in the Listing Rules). The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D-BVI, for the purpose of financing the working capital of 8D-BVI. The advances are unsecured, interest-free and repayable on demand.

8D Matrix Limited ("8D Matrix") is a 30% owned associate of the Company, which owns two wholly owned subsidiaries, Century Innovative Technology Limited and 深圳市世紀創意科技有限公司 (collectively, "Century Innovative Technology"), which are principally engaged in the online education, entertainment and technology business based on the "Bodhi and Friends" characters. 8D Matrix also owns a wholly owned subsidiary involved in advertising and promotion business. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL and 60% indirectly by Mr. Lo through his close associates (as defined in the Listing Rules). The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D Matrix, for the purpose of financing the working capital of 8D Matrix and Century Innovative Technology. The advances are unsecured, interest-free and repayable on demand.

OTHER INFORMATION (Cont'd)

P&R Holdings principally engages in the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities. P&R Holdings group holds, through its wholly owned subsidiaries, interests in a number of property development projects in Hong Kong and also holds, through Cosmopolitan (the listed subsidiary of P&R Holdings), interests in certain property development projects in Mainland China. Information relating to the investment of P&R Holdings group in such property development projects are disclosed in the preceding Management Discussion and Analysis. The advances to P&R Holdings were provided by a wholly owned subsidiary of the Company in the form of shareholder's loans in proportion to its shareholding interest in P&R Holdings. The advances to P&R Holdings are unsecured and have no fixed terms of repayment and except for an aggregate amount of HK\$868.6 million which bears interest at a fixed rate of 4% per annum to 5% per annum, the balance of the advances is interest free. The guarantees were provided by the Company on a several basis in proportion to its shareholding interests in P&R Holdings and were given in respect of the respective bank loan facilities of, in aggregate, HK\$2,870.4 million made available to six wholly owned subsidiaries and an associate of P&R Holdings for financing their development projects in Hong Kong. Further information relating to the Group's share of the maximum capital commitment to P&R Holdings, the shareholder's loans provided by the Group under such commitment and the several guarantees provided by the Company for securing banking facilities granted to certain wholly owned subsidiaries of P&R Holdings is set out in note 17 to the condensed consolidated financial statements.

Calculated on the basis shown above, as at 30th June, 2021, the aggregate amount of financial assistance provided to and bank guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$5,355.9 million (based on the total available amount of the banking facilities) and (b) HK\$5,355.9 million (based on the total amount of banking facilities drawdown) represented (a) 16.7% and (b) 16.7% of the consolidated total assets of the Group of HK\$32,037.6 million, calculated by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2021.

Save as disclosed above, there were no other financial assistance provided to or guarantees given for affiliated companies by the Group as at 30th June, 2021, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

A combined statement of financial position of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	Combined statement of financial position (HK\$'million)	The Group's attributable interest (HK\$'million)
Non-current assets	6,208.6	3,100.5
Current assets	11,382.2	5,683.6
Current liabilities	(7,128.5)	(3,563.5)
Non-current liabilities	(7,654.5)	(3,689.7)
	<u>2,807.8</u>	<u>1,530.9</u>
Non-controlling interests	(604.1)	(302.0)
Net assets attributable to equity holders of the parent	<u><u>2,203.7</u></u>	<u><u>1,228.9</u></u>

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2021, 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.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Regal Hotels International Holdings Limited" (the "Regal Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Regal Code during the six months ended 30th June, 2021.

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, 2021.

REVIEW OF RESULTS

The Audit Committee of the Company currently comprises the following members:

Mr. Wong Chi Keung (Chairman of the Committee) (*Independent Non-Executive Director*)

Dr. Francis Choi Chee Ming, GBS, JP (*Vice Chairman and Non-Executive Director*)

Ms. Alice Kan Lai Kuen (*Independent Non-Executive Director*)

Professor Japhet Sebastian Law (*Independent Non-Executive Director*)

Ms. Winnie Ng, JP (*Independent Non-Executive Director*)

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2021, in conjunction with the external auditors. The review report of the external auditors is set out on page 60 of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



**To the Board of Directors of
Regal Hotels International Holdings Limited**
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information of Regal Hotels International Holdings Limited (the “Company”) and its subsidiaries set out on pages 21 to 50, which comprises the condensed consolidated statement of financial position as at 30th June, 2021 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

27/F, One Taikoo Place
979 King’s Road
Quarry Bay, Hong Kong

24th August, 2021

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