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## ANNOUNCEMENT OF 2022 INTERIM RESULTS

### FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2022 (Unaudited) HK\$'M	Six months ended 30th June, 2021 (Unaudited) HK\$'M	% Change
<b>Revenue</b>	<b>1,039.9</b>	404.3	<b>+157.2%</b>
<b>Gross profit</b>	<b>621.2</b>	82.1	<b>+656.6%</b>
<b>Operating profit before depreciation, finance costs and tax</b>	<b>479.1</b>	30.5	<b>+1,470.8%</b>
<b>Profit/(Loss) for the period attributable to equity holders of the parent</b>	<b>138.3</b>	(276.4)	<b>N/A</b>
<b>Basic earnings/(loss) per ordinary share attributable to equity holders of the parent</b>	<b>HK9.00 cents</b>	HK(37.07) cents	<b>N/A</b>
	<b>As at 30th June, 2022 (Unaudited)</b>	<b>As at 31st Dec, 2021 (Unaudited)</b>	
<b>Net asset value per ordinary share attributable to equity holders of the parent</b>			
<b>Book</b>	<b>HK\$13.14</b>	HK\$13.28	<b>-1.1%</b>
<b>Adjusted*</b>	<b>HK\$22.64</b>	HK\$22.19	<b>+2.0%</b>

\* compiled, for the purpose of reference, on an adjusted basis to restate the Group's hotel property portfolio in Hong Kong at its market value at 31st December, 2021 and 30th June, 2022, respectively, with the relevant deferred tax liabilities added back

- For the six months ended 30th June, 2022, the Group attained an unaudited consolidated profit attributable to shareholders of HK\$138.3 million, as compared to a loss of HK\$276.4 million recorded for the comparative period in the prior year.
- During the period under review, six hotels of the Group, including the new Regala Skycity Hotel that was opened for business in December 2021, were operating as quarantine hotels or facilities under various quarantine or isolation schemes organised by the Hong Kong Government to combat the COVID-19 pandemic, which generated steady revenues. In the meanwhile, the other four hotels continued to operate normal hotel businesses serving mostly local customers.
- Consequently, the income from hotel operations contributed by the Group's portfolio of hotels operating in Hong Kong in the first six months of 2022 has substantially surpassed the comparative level in the prior year, which was the key driver for the significant enhancement achieved by the Group in its overall operating results under review.
- Total depreciation charges on the Group's hotel portfolio in Hong Kong for this six-month period, including those for the new Regala Skycity Hotel, amounted to HK\$299.4 million which, although not affecting cash flow, have nonetheless adversely impacted the reported results. If these depreciation charges were not required to be provided and the relevant hotel properties stated at their fair values, the operating results of the Group for the period under review would have been more impressive.
- The Regala Skycity Hotel, the Group's second hotel at the Hong Kong International Airport, was opened for business in December 2021. As a new start up hotel, it has performed very satisfactorily during this interim period.
- Apart from Regala Skycity Hotel, all the other nine hotels of the Group operating in Hong Kong are owned through Regal Real Estate Investment Trust. Except for iclub Wan Chai Hotel that is self-operated by Regal REIT, the other eight Regal and iclub hotels are leased to a wholly owned subsidiary of the Company for hotel operations.

- **In late June 2022, Regal REIT concluded a 5-year term loan facility of HK\$2,950.0 million with a new lender, similarly secured by the Regal Kowloon Hotel, which was used to refinance the then outstanding term loan facility of HK\$3,000.0 million originally to mature in March 2023.**
- **The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R Holdings Limited, a 50/50 held joint venture with Paliburg Holdings Limited, the intermediate listed parent of the Company. The development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. Up to the present time, a total of 17 garden houses and 50 apartments have been sold or contracted to be sold at satisfactory prices, of which the sale transactions for 14 houses and 36 apartment units had been completed. The remaining 7 houses and 86 apartments command significant value and are planned to be sold on a gradual basis.**
- **The Group is developing through a wholly owned subsidiary a commercial/residential project, named as “The Queens”, at Queen’s Road West, Hong Kong. The development has a total of 130 residential units with club house facilities and commercial accommodations. The occupation permit for this development has just been issued and a new sale programme for the residential units is planned to be launched on an existing property basis in due course.**
- **The Group has attained satisfactory performance in the period under review. The Group will continue to keep under close review its overall operating structure, business strategies, composition of assets as well as future development plans, with a view to placing the Group in an advantageous position to meet these challenging times.**
- **With the backing of its strong asset base, the Directors remain optimistic of the future prospects of the Group.**

## **FINANCIAL RESULTS**

For the six months ended 30th June, 2022, the Group attained an unaudited consolidated profit attributable to shareholders of HK\$138.3 million, as compared to a loss of HK\$276.4 million recorded for the comparative period in the prior year.

As mentioned in the profit alert announcement published by the Company on 18th August, 2022, during the period under review, six hotels of the Group, including the new Regala Skycity Hotel that was opened for business in December 2021, were operating as quarantine hotels or facilities under various quarantine or isolation schemes organised by the Hong Kong Government to combat the COVID-19 pandemic, which generated steady revenues. Consequently, the income from hotel operations contributed by the Group's portfolio of hotels operating in Hong Kong in the first six months of 2022 has substantially surpassed the comparative level in the prior year, which was the key driver for the significant enhancement achieved by the Group in its overall operating results under review.

For the six months ended 30th June, 2022, the Group achieved a gross profit of HK\$621.2 million (2021 – HK\$82.1 million) and an operating profit before depreciation, finance costs and tax of HK\$479.1 million (2021 – HK\$30.5 million).

As the Group's hotel properties in Hong Kong are all owned and self-operated by subsidiaries of the Company, 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 this six-month period, including those for the new Regala Skycity Hotel, amounted to HK\$299.4 million which, although not affecting cash flow, have nonetheless adversely impacted the reported results. If these depreciation charges were not required to be provided and the relevant hotel properties stated at their fair values, the operating results of the Group for the period under review would have been more impressive.

Having regard to the material difference between the carrying values of the Group's hotel portfolio in Hong Kong, which are subject to accumulated depreciation charges, and their fair values as at 30th June, 2022, an Adjusted Net Asset Statement is presented in the section headed "Management Discussion and Analysis" in this announcement. The statement 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, 2022, the underlying adjusted net asset value of the Company would amount to HK\$22.64 per share.

## **BUSINESS OVERVIEW**

### **HOTELS**

#### **MARKET OVERVIEW**

Based on a recent research report by the World Bank Group, the world economy continued to suffer from a series of destabilising shocks during the first half of 2022. After more than two years of pandemic, the recent war in Ukraine has led to high commodity prices, supply chain disruptions, inflation and tighter financial conditions, which have steepened the slowdown in global growth. The outlook for the global economy is overshadowed by various downside risks.

Due mainly to the sporadic COVID-19 outbreaks and related strict lockdowns, economic activities in China have slowed sharply, with growth in consumer spending particularly subdued. Trade and manufacturing investments have lost momentum, owing to supply disruptions. According to preliminary estimates, the Gross Domestic Product (GDP) of China for the first half of 2022 only increased by 2.5% year-on-year. It is expected that China will implement more stimulus plans to boost the economy, in order that its GDP growth for the whole year of 2022 can catch up to its anticipated target.

Impacted by the global economic events and the pandemic, Hong Kong's economy suffered a major setback in the first quarter of 2022, with its GDP having decreased by 3.9% year-on-year. As the pandemic situation began to subdue, the local labour market regained some momentum in the second quarter. The seasonally adjusted unemployment rate improved from 5.1% in the 3-month period from March to May to 4.7% in April to June in 2022. Moreover, the drop in Hong Kong's GDP in real terms in the second quarter of 2022 also moderated to 1.3%, as compared with a year earlier.

Due to the outburst of the 5th wave of the pandemic in Hong Kong early this year, travel restrictions and quarantine measures were tightened and many international flights were banned. It was only in the second quarter that these restrictive measures were gradually relaxed and overseas visitors permitted to enter Hong Kong from May 2022.

Under this environment, there were only about 76,000 visitors to Hong Kong in the first half of 2022, of which approximately 62,000 were visitors from Mainland China. Although these numbers represented an increase of 125.2% and 155.4% year-on-year, respectively, the sharp increases in percentage terms merely reflect the very low comparative base in 2021. In terms of absolute numbers, the number of total visitor arrivals in the first half of 2022 only accounted for a minute fraction of the pre-pandemic levels.

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 was up from 56.0% in 2021 to 63.0% in 2022, while the average achieved room rate improved by 23.8%, thus resulting in an increment of 39.2% in their average Revenue per Available Room (RevPAR) year-on-year.

## **HOTEL OWNERSHIP**

The Regala Skycity Hotel, the Group's second hotel at the Hong Kong International Airport, was opened for business in December 2021. This hotel has since January 2022 been operating as quarantine hotel or facilities under the government's quarantine or isolation schemes. During this interim period, it maintained an average occupancy of 74.1% and generated net hotel profit of HK\$151.7 million, which are considered very satisfactory for a new start up hotel.

The Group owns a historical building located at a prime location in London, the United Kingdom. The rehabilitation plan is to conserve in whole the building's historical heritage and to transform it into a niche urban hotel with a unique fine dining facility. The interior design and subsequent renovation works are planned to commence later this year.

The Group also owns a 186-room hotel in Barcelona, Spain, which was leased to a third party lessee for hotel operations. The lessee continued to default on rentals and other payments under the lease and legal actions are proceeding against the lessee to enforce the owner's rights under the lease agreement, including recovery of possession.

## **REGAL REAL ESTATE INVESTMENT TRUST**

As at 30th June, 2022, the Group held approximately 74.9% of the total outstanding issued units of Regal REIT, while Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, acts as the REIT Manager.

For the six months ended 30th June, 2022, Regal REIT recorded an unaudited consolidated profit before distribution to Unitholders of HK\$613.1 million, as compared to a loss of HK\$74.5 million for the corresponding period in 2021.

Net rental and hotel income of Regal REIT for the period amounted to HK\$340.4 million, an increase of HK\$52.4 million over the HK\$288.0 million attained in the same period last year. Apart from the increased net rental and hotel income, a major part of the profit achieved for the interim period was attributable to the gain of HK\$444.3 million in the fair value of Regal REIT's investment property portfolio, based on the market valuations appraised by the principal valuer as of 30th June, 2022, as compared to the last appraised value as of 31st December, 2021. For the corresponding period last year, a fair value loss of HK\$213.1 million was recorded. If these fair value changes are excluded, the core operating profit before distribution to Unitholders for the interim period would amount to HK\$168.8 million, as compared to the HK\$138.6 million for the same period in 2021.

Total distributable income for the interim period, after taking into account the various non-cash adjustments, amounted to HK\$183.1 million, an increase of 13.2% as compared to HK\$161.7 million for the corresponding period in 2021.

Apart from Regala Skycity Hotel, all the other nine hotels of the Group operating in Hong Kong are owned through Regal REIT. These nine hotels included the five Regal Hotels and four other hotels operating under the iclub brand. Except for iclub Wan Chai Hotel that is self-operated by Regal REIT, the other eight hotels are leased to a wholly owned subsidiary of the Company for hotel operations.

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and has been self-operated by Regal REIT since 2011. During the period, this hotel maintained an occupancy rate of 88.9%, which was 13.2 percentage points higher than the same period last year, while its average room

rate increased by 25.4%, resulting in an increase of 47.3% in its RevPAR year-on-year. Consequently, the net property income from this property, including the lease rentals from the non-hotel portions, substantially improved as compared to the first half last year.

In late June 2022, Regal REIT concluded a 5-year term loan facility of HK\$2,950.0 million with a new lender, similarly secured by the Regal Kowloon Hotel, which was used to refinance the then outstanding term loan facility of HK\$3,000.0 million originally to mature in March 2023.

## **HOTEL OPERATIONS**

Favour Link International Limited, a wholly owned subsidiary of the Company, is the lessee operating all the five Regal Hotels and three iclub Hotels under lease from Regal REIT.

During the period under review, these eight hotel properties continued to operate under two different business modes. Specifically, five of the hotels, namely, Regal Airport Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, iclub Fortress Hill Hotel and iclub Ma Tau Wai Hotel were operating as quarantine hotels or facilities under the various quarantine or isolation schemes organised by the Hong Kong Government to combat the COVID-19 pandemic, while the remaining three hotels, namely, Regal Hongkong Hotel, Regal Riverside Hotel and iclub Sheung Wan Hotel, continued to operate normal hotel businesses serving mostly local customers for long stay or staycation purposes. As the hotels operating as quarantine hotels or facilities under the government schemes have generated steady revenues, the operating performance of the hotel portfolio as a whole in the first half of 2022 secured substantial improvement over the same period last year.

Under this mixed operating structure, the combined average occupancy of the five Regal Hotels in Hong Kong during this interim period was 68.8%, as compared to 47.5% for the same period last year, while their combined average room rate increased by 119.1%. Consequently, their combined average RevPAR improved overall by 217.1% year-on-year. The prevailing aggregate base rent for 2022 for the five Regal Hotels was HK\$475.0 million, while their aggregate net property income, including the net rental income, for the first six months of 2022 amounted to HK\$291.0 million. Accordingly, variable rent for these five hotels for the interim period amounted to HK\$26.8 million, based on 50% sharing by each of the lessor and the lessee



of the net property income surplus, which will be subject to adjustment based on their aggregate net property income achieved for the whole year.

Three other iclub hotels are also under lease to Favour Link for hotel operations. The prevailing annual base rent for 2022 for each of iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, as determined by an independent professional property valuer under the terms of the market rental packages, was HK\$27.0 million. During the interim period, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel attained a combined average occupancy rate of 80.5%, an increase of 7.7 percentage points as compared to the corresponding period in 2021. At the same time, their combined average room rate increased by 177.3%, which overall translated into an improvement of 207.0% in their combined average RevPAR year-on-year. For the interim period, the iclub Fortress Hill Hotel yielded variable rent of HK\$13.8 million, which will likewise be subject to adjustment on a full year basis.

The iclub Ma Tau Wai Hotel was acquired by Regal REIT in September 2017 from P&R Holdings Limited, a 50% owned associate of the Group. The hotel was then leased to Favour Link for an initial term of 5 years, with escalating fixed rentals at an average yield of 4.5% per annum. 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 during the initial 5-year term.

For the period under review, the fixed rental payment for iclub Ma Tau Wai Hotel was HK\$34.0 million. During this period, this hotel attained an average occupancy of 81.4% and its average RevPAR was 1.7 times above its comparative level in 2021, which generated net property income of HK\$43.8 million.

As reported earlier, in December 2021, Regal REIT exercised the option granted to it under the existing lease agreement to extend the lease term of iclub Ma Tau Wai Hotel to 31st December 2027, with rentals in the extended term to be based on independent annual market reviews. In May 2022, the independent professional valuer jointly appointed by the lessor and the lessee determined the base rent under the market rental package for this hotel for the first lease period under the extended term to be HK\$8.8 million for the period from 4th September, 2022 to 31st

December, 2022 (prorated from a base rent of HK\$27.0 million for the whole year of 2022) and HK\$30.0 million for 2023.

## **HOTEL MANAGEMENT**

Regal Hotels International Limited, the wholly owned management arm of the Group, is the hotel manager managing all the five Regal Hotels, six iclub Hotels and one Regala Hotel that are operating in Hong Kong. Opened in December 2021, the 1,208-room Regala Skycity Hotel is the latest addition to the Group's portfolio.

In Mainland China, Regal Hotels International is presently managing a total of four Regal Hotels, including two in Shanghai, one in Dezhou and one in Xian. One new hotel under development in Chengdu will also be managed by the Group.

## **PROPERTIES**

Property transactions in Hong Kong in the first quarter of this year was adversely affected by the outburst of the fifth wave of the pandemic in January. Although the property market regained some momentum in the second quarter, many potential buyers and investors were still adopting a cautious attitude towards committing to purchases due to market uncertainty and the rising Hong Kong Interbank Offered Rates, on which the loan interest for most property mortgages in Hong Kong are based. Overall, property prices and transaction volume in the first half of 2022 both receded as compared to 2021.

The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R Holdings. The development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. Up to the present time, a total of 17 garden houses and 50 apartments have been sold or contracted to be sold at satisfactory prices, of which the sale transactions for 14 houses and 36 apartment units had been completed. Sale transactions that were completed during this interim period included 6 houses and 7 apartment units and the profits derived therefrom already accounted for in the results under review. The remaining 7 houses and 86 apartments command significant value and are planned to be sold on a gradual basis.

A wholly owned subsidiary of the Group is developing a commercial/residential project, named as “The Queens”, at Queen’s Road West, Hong Kong. The development has a total of 130 residential units with club house facilities and commercial accommodations. The occupation permit for this development has just been issued and a new sale programme for the residential units is planned to be launched on an existing property basis in due course.

In the meanwhile, the Group is also undertaking a commercial/residential redevelopment project at Hai Tan Street in Sham Shui Po, Hong Kong and, in overseas, a renovation for sale property project in Lisbon, Portugal. At present, the Group still owns 9 garden houses in Regalia Bay, Stanley, some of which will continue to be disposed of if the prices offered are satisfactory.

Further detailed information on the Group’s development projects and properties as well as those undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings Limited, is contained in the section headed “Management Discussion and Analysis” in this announcement.

## **AIRCRAFT OWNERSHIP AND LEASING**

At present, the Group owns a fleet of 3 Airbus passenger aircraft, two of which are on operating leases with a major international airline operator in Europe and are running on normal terms. The lease for the remaining aircraft was terminated in November 2021 due to payment defaults of the lessee and the Group has already recovered possession of the aircraft in November 2021. The Group is working closely with the professional aircraft manager to finalise a proposal for the disposition of this aircraft.

## **OUTLOOK**

The Hong Kong Government recently announced the further relaxation of the quarantine requirements for foreign visitors from 7 days hotel quarantine to 3 days, followed by medical surveillance at home for 4 days. This is a positive step towards normalisation of international

traffic and connections with the global community. However, in order that the economy of Hong Kong can rapidly revive, Hong Kong will need to reopen its cross border traffic with the Mainland as soon as practicable, particularly when the economic environment worldwide is getting increasingly uncertain and volatile. This year marked the 25th Anniversary of Hong Kong's Return to China. With the policy support from China, Hong Kong should take the opportunity to move towards the goals of being a "global metropolis", a world-class financial center and a center for the technology innovation industry.

As the United States began to raise its interest rates since March this year to combat the heightened inflation, Hong Kong is under pressure to follow the interest rates hike. Although the pace and the magnitude of the interest rate increases in Hong Kong may not be the same as in the United States, the price of assets in Hong Kong, including stocks and properties, will inevitably be affected and may further weaken the general consumption sentiment. The Hong Kong Government has implemented various initiatives, including the launching of the phase II consumption vouchers in August, to boost consumption and market confidence, but the business environment for Hong Kong in the second half of 2022 will still be challenging.

The directors of the REIT Manager are, however, optimistic that Hong Kong, with its usual resilience, will be able to overcome these future challenges. In the meanwhile, the REIT Manager is working closely with the hotel manager to devise new business and development strategies, including plans for the staged renovation and upgrading of some of Regal REIT's hotel properties, in order that Regal REIT will be well-prepared for the market challenges as well as potential business opportunities that will emerge, as and when the travel and hotel industries in Hong Kong gradually return to normal operating conditions.

The Group has attained satisfactory performance in the period under review. The Group will continue to keep under close review its overall operating structure, business strategies, composition of assets as well as future development plans, with a view to placing the Group in an advantageous position to meet these challenging times.

With the backing of its strong asset base, the Directors remain optimistic of the future prospects of the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

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

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

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

#### **Hong Kong**

##### *Regala Skycity Hotel, the Hong Kong International Airport*

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

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

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 licence was issued in November 2021 and the hotel soft opened for business in December 2021.

To support the Hong Kong Government's initiatives against the COVID-19 pandemic, this hotel has since January 2022 been operating as quarantine hotel or facilities under the government's quarantine or isolation schemes.

*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 has a total of 130 residential units with club house facilities on the second floor and commercial accommodations on the ground and first floors. The occupation permit for this development has just been issued.

The presale of the first batch of the residential units was first launched in April 2021. A new sale programme for the residential units is planned to be launched on an existing property basis in due course.

*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 90% 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. The requisite judicial proceedings through the Lands Tribunal to consolidate the entire ownership interests in the relevant properties are progressing.

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

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, 4 as held for sale and 2 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 favourable.

**Overseas**

*Campus La Mola, Barcelona, Spain*

This hotel property has a total of 186 guestrooms and was acquired by the Group in 2014. The hotel was initially operated by the Group and was subsequently leased to an independent third party pursuant to a lease agreement in September 2017. The lessee continued to default on rentals and other payments under the lease and legal actions are proceeding against the lessee to enforce the owner's rights under the lease agreement, including recovery of possession.

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

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

The rehabilitation plan is to conserve in whole the building's historical heritage and to transform it into a niche urban hotel with a unique fine dining facility. The market re-positioning study is being carried out. The interior design and subsequent renovation works are planned to commence later this year. The hotel is planned to be operated by the Group after completion.

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

This is a rehabilitation and renovation project of a historical building located in a heritage conservation area of Lisbon, acquired in 2019 by an entity that is now wholly owned by the

Group. This building has a total gross floor area of about 1,836 square metres (19,768 square feet), comprising residential apartments as well as shops on ground floor. The design and renovation proposals have been approved by the local government authorities and renovation works are underway. There have been some delays due to the pandemic and the renovation project is expected to be completed by the end of 2022. The apartment units and shops are intended to be marketed for sale after completion of the renovation works.

## **JOINT VENTURE – P&R HOLDINGS LIMITED**

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

Further information relating to the property development projects being undertaken and properties owned by the P&R Holdings group in Hong Kong (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).

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, 8 houses in Casa Regalia are still being retained and will be disposed of on a gradual basis.



*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. Despite the continuing adverse impact brought about by the COVID-19 pandemic, the leasing status of this shopping mall overall remained stable as compared with the level in 2021.

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

This is a 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. All the residential units as well as certain shops and car parks have already been sold. The remaining 2 shops and 5 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 received eight international awards including winner of Luxury Lifestyle Awards as Best Luxury Residential Development and Best Luxury Sustainable Residential Development in Hong Kong in 2021 as well as for the superb interior designs of certain of its show houses and apartment units.

Up to the present time, a total of 17 garden houses and 50 apartment units have been sold or contracted to be sold at satisfactory prices (total sale price of HK\$3,852.9 million), of which the sale transactions for 14 houses and 36 apartment units (total sale price of HK\$2,828.1 million) have been completed. Sale transactions that were completed during this interim period included 6 houses and 7 apartment units (total sale price of HK\$745.4 million) and the profits

derived therefrom already accounted for in the results under review. The remaining 7 houses and 86 apartments command significant sale value and are planned to be sold on a gradual basis.

*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, which was opened for business in March 2019. The hotel is presently self-operated by P&R Holdings and managed by the Group. This hotel has been operating as a quarantine hotel since March 2022.

*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).

Following the divesture by P&R Holdings of a 50% beneficial interest in December 2019, the property is presently 50% owned by each of P&R Holdings and AMTD Properties (HK) Limited. This hotel was officially opened for business in November 2020 and has since been self-operated by the joint venture entity and managed by the Group.

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

The subject properties, which were acquired through private treaty transactions, have a total site area of 518 square metres (5,580 square feet). The demolition works for this project 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 composite commercial/residential redevelopment. The procedure for Land Compulsory Sale through the Lands Tribunal to consolidate 100% ownership interests in the relevant properties has been instituted.

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 verandah portion of historical heritage within the new development, thus preserving its unique iconic image in the vicinity.

## **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 development works of third stage were already completed. Nearly all of the residential units in the third stage have been presold by early 2021. Total proceeds from the contracted presales and sales of the residential units amounted to approximately RMB2,046.2 million (HK\$2,339.6 million). As indicated before, up to the last year end, there were about 40% of the presold residential units in the third stage whose handover procedures were yet to be completed. These remaining presold residential units have since been duly handed over to their respective purchasers during the course of this year. The attributable property income derived

from these completed sales amounted to HK\$342.8 million, before impairment loss on ascribed goodwill, tax and selling expense, which has been accounted for in the period under review.

The sale of the shops with about 2,350 square metres (25,300 square feet) comprised in the third stage is in progress. Up to date, a total of 3,933 square meters (42,335 square feet) of shops have been sold or contracted to be sold, at aggregate sale considerations of approximately RMB90.9 million (HK\$103.9 million). The sale of the 1,389 car parking spaces is continuing and, up to date, 438 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB47.8 million (HK\$54.7 million). The procedures for the hand over of most of the shop units and car parking spaces sold have already been completed and the revenues accounted for in the period under review.

The interior construction works of the 325-room hotel for the procurement of the Completion Certificate are scheduled to commence shortly. The interior fitting-out works for the guestrooms and the podium based on the revised design scheme are planned to commence after the procurement of the Completion Certificate and the hotel is scheduled to open in phases after the completion of the respective fitting-out works.

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. All the office towers, the commercial facilities as well as the six-storey shopping mall podium have been topped-off. The market repositioning works of the shopping mall and certain office towers are also 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, 124 office units with a total of about 5,309 square meters (57,140 square feet) have been subscribed by prospective purchasers or presold under contracts, for an aggregate sale consideration of RMB47.0 million (HK\$53.7 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 regard 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 progress on the sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), has been relatively slow. Certain parts of the commercial complex have been leased out for rental income.

The superstructure works of the remaining two office towers and the four-storey commercial podium were completed in December 2021 and the Completion Certificates obtained. The sale programme for one of the office towers, consisting of 137 units with a total of about 17,530 square metres (188,700 square feet), has been delayed on account of the changed market environment, which is now planned to be launched in the first half of 2023. Depending on the sale progress, the sale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), may 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 overall re-forested area. In the meanwhile, the Cosmopolitan group is communicating 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. The global capital market during the period under review was very difficult and the stock market in Hong Kong also further weakened. The Group's performance in this business sector has been adversely affected and recorded a net loss in its financial assets investments business in this interim period.

In April 2022, a wholly owned subsidiary of the Company entered into an agreement with an independent third party for the acquisition of participation right in the performance of certain issued securities of Sygnum Bank AG, a digital asset bank based in Switzerland and Singapore. The participation is anticipated to provide the Group with an opportunity to expand its investment portfolio and to diversify its income sources to the digital assets market. Further information on this investment is contained in the joint announcement published on 12th April, 2022.

The Group also acquired in April 2022 an estate in The Sandbox, a leading decentralized gaming virtual world, to launch its MetaGreen project in the metaverse. Located in Mega City 2, MetaGreen will be the first sustainability-themed or green metropolis in The Sandbox, which will have different interactive experiences including Regal Hotels' green hotel & residence, MetaGreen Mall, Art Park, MetaGreen Convention Center, MetaGreen Academy and more. By harnessing the power of Web3 and GameFi, MetaGreen aims to promote eco-friendly choices and foster a sustainable community to support the transition to a circular economy and race to carbon net zero.

## **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 as a whole 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, while the newly completed Regala Skycity Hotel owned by the Group is stated at cost and also subject to depreciation. For the purpose of providing supplementary information, if the Group's entire hotel property portfolio in Hong Kong is restated in the condensed consolidated financial statements at market value as at 30th June, 2022, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$22.64 per share, computed as follows:

	<b>As at 30th June, 2022</b>	
	<b>HK\$'M</b>	<b>HK\$ per ordinary share</b>
<b>Book net assets attributable to equity holders of the parent</b>	<b>11,808.8</b>	<b>13.14</b>
<b>Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities</b>	<b>8,539.9</b>	<b>9.50</b>
<b>Unaudited adjusted net assets attributable to equity holders of the parent</b>	<b>20,348.7</b>	<b>22.64</b>

## **CAPITAL RESOURCES AND FUNDING**

### **Funding and Treasury Policy**

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

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As regards the Group's 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 generated from operating activities of HK\$17.3 million (2021 – net cash flows used in operating activities of HK\$115.4 million). Net interest receipt for the period amounted to HK\$2.2 million (2021 – net interest payment of HK\$64.8 million).

### **Borrowings and Gearing**

As at 30th June, 2022, the Group had cash and bank balances and deposits of HK\$1,337.3 million (31st December, 2021 – HK\$2,233.7 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$13,484.8 million (31st December, 2021 – HK\$12,979.5 million).

As at 30th June, 2022, the gearing ratio of the Group was 44.5% (31st December, 2021 – 42.1%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK\$13,484.8 million (31st December, 2021 – HK\$12,979.5 million), as compared to the total assets of the Group of HK\$30,298.6 million (31st December, 2021 – HK\$30,795.9 million).

On the basis of the adjusted total assets as at 30th June, 2022 of HK\$41,085.3 million (31st December, 2021 – HK\$40,847.4 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 32.8% (31st December, 2021 – 31.8%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2022 are shown in the condensed consolidated financial statements contained in the interim report for the six months ended 30th June, 2022 of the Company ("Interim Financial Statements") to be published on or before 30th September, 2022.



**Lease Liabilities**

As at 30th June, 2022, the Group had lease liabilities of HK\$32.2 million (31st December, 2021 – HK\$32.1 million).

**Pledge of Assets**

As at 30th June, 2022, the Group's properties held for sale and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$20,642.1 million (31st December, 2021 – HK\$20,967.2 million) were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

**Capital Commitments**

Details of the capital commitments of the Group as at 30th June, 2022 are shown in the Interim Financial Statements.

**Contingent Liabilities**

Details of the contingent liabilities of the Group as at 30th June, 2022 are shown in the Interim Financial Statements.

**DIVIDEND**

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2022 (2021 – Nil).

## HALF YEAR RESULTS

### Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2022	Six months ended 30th June, 2021
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
REVENUE (Notes 2 & 3)	1,039.9	404.3
Cost of sales	(418.7)	(322.2)
Gross profit	621.2	82.1
Other income and gains (Note 3)	70.8	56.5
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	(75.3)	37.1
Fair value gains on investment properties, net	3.8	4.3
Impairment loss on items of property, plant and equipment	–	(30.4)
Impairment loss on investment in associates	(0.2)	–
Property selling and marketing expenses	(4.7)	(8.4)
Administrative expenses	(136.5)	(110.7)
OPERATING PROFIT BEFORE DEPRECIATION	479.1	30.5
Depreciation	(310.7)	(269.3)
OPERATING PROFIT/(LOSS) (Note 4)	168.4	(238.8)
Finance costs (Note 5)	(145.0)	(132.4)
Share of profits and losses of:		
A joint venture	112.9	71.1
Associates	0.3	(1.2)
PROFIT/(LOSS) BEFORE TAX	136.6	(301.3)
Income tax (Note 6)	(1.0)	7.4
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	135.6	(293.9)

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

	<b>Six months ended 30th June, 2022 (Unaudited) HK\$'M</b>	<b>Six months ended 30th June, 2021 (Unaudited) HK\$'M</b>
Attributable to:		
Equity holders of the parent	<b>138.3</b>	(276.4)
Non-controlling interests	<b>(2.7)</b>	(17.5)
	<b>135.6</b>	(293.9)
<b>EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)</b>		
Basic and diluted	<b>HK9.00 cents</b>	HK(37.07) cents

## Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2022  (Unaudited)  HK\$'M	Six months ended 30th June, 2021  (Unaudited)  HK\$'M
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	135.6	(293.9)
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	(35.9)	6.7
Share of other comprehensive income/(loss) of:		
A joint venture	(21.2)	3.0
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(57.1)	9.7
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of:		
A joint venture	(153.3)	(34.9)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(210.4)	(25.2)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(74.8)	(319.1)
Attributable to:		
Equity holders of the parent	(72.1)	(308.8)
Non-controlling interests	(2.7)	(10.3)
	(74.8)	(319.1)

## Condensed Consolidated Statement of Financial Position

	30th June, 2022 (Unaudited) HK\$'M	31st December, 2021 (Audited) HK\$'M
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6,168.9	6,327.2
Investment properties	603.0	605.3
Right-of-use assets	12,999.0	13,133.1
Properties under development	478.1	445.8
Investments in joint ventures	3,054.3	3,161.2
Investments in associates	9.0	8.9
Financial assets at fair value through profit or loss	726.2	659.9
Other loan	357.0	357.0
Debtors and deposits (Note 9)	77.9	78.6
Deferred tax assets	47.7	47.7
Intangible assets	6.4	3.6
Total non-current assets	<u>24,527.5</u>	<u>24,828.3</u>
<b>CURRENT ASSETS</b>		
Properties under development	1,140.1	1,043.2
Properties held for sale	296.3	293.4
Inventories	25.7	22.9
Debtors, deposits and prepayments (Note 9)	429.1	190.8
Financial assets at amortised cost	25.7	15.6
Financial assets at fair value through profit or loss	2,211.6	2,013.9
Other loan	304.7	121.9
Derivative financial instruments	–	26.3
Tax recoverable	0.6	5.9
Restricted cash	107.5	99.2
Pledged time deposits and bank balances	157.9	252.8
Time deposits	513.7	811.8
Cash and bank balances	558.2	1,069.9
Total current assets	<u>5,771.1</u>	<u>5,967.6</u>

## Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2022 (Unaudited) HK\$'M	31st December, 2021 (Audited) HK\$'M
<b>CURRENT LIABILITIES</b>		
Creditors, deposits received and accruals (Note 10)	(313.5)	(408.2)
Contract liabilities	(287.5)	(127.7)
Lease liabilities	(11.7)	(10.6)
Interest bearing bank borrowings (Note 11)	(1,964.0)	(2,010.0)
Tax payable	(56.8)	(31.3)
Total current liabilities	<u>(2,633.5)</u>	<u>(2,587.8)</u>
NET CURRENT ASSETS	<u>3,137.6</u>	<u>3,379.8</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>27,665.1</u>	<u>28,208.1</u>
<b>NON-CURRENT LIABILITIES</b>		
Creditors and deposits received (Note 10)	(103.8)	(104.8)
Lease liabilities	(20.5)	(21.5)
Interest bearing bank borrowings	(12,858.1)	(13,203.2)
Deferred tax liabilities	(717.1)	(747.3)
Total non-current liabilities	<u>(13,699.5)</u>	<u>(14,076.8)</u>
Net assets	<u>13,965.6</u>	<u>14,131.3</u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	89.9	89.9
Reserves	11,718.9	11,848.4
	<u>11,808.8</u>	<u>11,938.3</u>
<b>Perpetual securities</b>	<b>1,732.9</b>	<b>1,732.9</b>
<b>Non-controlling interests</b>	<b>423.9</b>	<b>460.1</b>
Total equity	<u>13,965.6</u>	<u>14,131.3</u>

Notes:

1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2022 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 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, 2021, 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, 2022.

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30th June, 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual

Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1st January, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30th June, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1st April, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. 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.
- (c) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1st January, 2021. Since there was no



sale of items produced while making property, plant and equipment available for use on or after 1st January, 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (d) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1st January, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (e) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1st January, 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying

HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

## 2. Operating Segment Information

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

- (a) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income;
- (b) the asset management segment engages in the provision of asset management services to Regal REIT;
- (c) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;
- (d) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;
- (e) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental and interest income; and
- (f) the others segment mainly comprises sale of food products, operation and management of restaurants, operation of security storage lounge, the provision of housekeeping and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is

measured consistently with the Group's profit/(loss) before tax except that certain interest income, 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.

The following tables present revenue and profit/(loss) information for the Group's operating segments:

	<b>Hotel operation and management and hotel ownership</b>		<b>Asset management</b>		<b>Property development and investment</b>		<b>Financial assets investments</b>		<b>Aircraft ownership and leasing</b>		<b>Others</b>		<b>Eliminations</b>		<b>Consolidated</b>	
	<b>Six months ended 30th June, 2022</b>		<b>Six months ended 30th June, 2021</b>		<b>Six months ended 30th June, 2022</b>		<b>Six months ended 30th June, 2021</b>		<b>Six months ended 30th June, 2022</b>		<b>Six months ended 30th June, 2021</b>		<b>Six months ended 30th June, 2022</b>		<b>Six months ended 30th June, 2021</b>	
	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>	<small>(Unaudited)</small>
	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>
Segment revenue:																
Sales to external customers	989.5	338.9	-	-	5.1	5.1	9.7	22.6	12.0	15.7	23.6	22.0	-	-	1,039.9	404.3
Intersegment sales	41.9	2.3	44.4	42.5	1.2	2.5	-	-	-	-	88.3	53.0	(175.8)	(100.3)	-	-
<b>Total</b>	<b>1,031.4</b>	<b>341.2</b>	<b>44.4</b>	<b>42.5</b>	<b>6.3</b>	<b>7.6</b>	<b>9.7</b>	<b>22.6</b>	<b>12.0</b>	<b>15.7</b>	<b>111.9</b>	<b>75.0</b>	<b>(175.8)</b>	<b>(100.3)</b>	<b>1,039.9</b>	<b>404.3</b>
Segment results before depreciation	526.0	(10.6)	(7.3)	(6.4)	31.8	37.1	(62.2)	64.6	8.9	(19.6)	12.3	3.9	-	-	509.5	69.0
Depreciation	(305.3)	(258.9)	-	-	(2.0)	(2.9)	-	-	(1.8)	(5.8)	(1.6)	(1.7)	-	-	(310.7)	(269.3)
<b>Segment operating results</b>	<b>220.7</b>	<b>(269.5)</b>	<b>(7.3)</b>	<b>(6.4)</b>	<b>29.8</b>	<b>34.2</b>	<b>(62.2)</b>	<b>64.6</b>	<b>7.1</b>	<b>(25.4)</b>	<b>10.7</b>	<b>2.2</b>	<b>-</b>	<b>-</b>	<b>198.8</b>	<b>(200.3)</b>
Unallocated interest income and unallocated non-operating and corporate gains															5.4	5.7
Unallocated non-operating and corporate expenses, net															(36.1)	(44.4)
Finance costs (other than interest on lease liabilities)															(144.7)	(132.2)
Share of profits and losses of:																
A joint venture	-	-	-	-	112.9	71.1	-	-	-	-	-	-	-	-	112.9	71.1
Associates	-	-	-	-	0.3	(0.6)	-	-	-	-	-	(0.6)	-	-	0.3	(1.2)
Profit/(Loss) before tax															136.6	(301.3)
Income tax															(1.0)	7.4
Profit/(Loss) for the period before allocation between equity holders of the parent and non-controlling interests															<u>135.6</u>	<u>(293.9)</u>
Attributable to:																
Equity holders of the parent															138.3	(276.4)
Non-controlling interests															(2.7)	(17.5)
															<u>135.6</u>	<u>(293.9)</u>

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

	<b>Six months ended 30th June, 2022 (Unaudited) HK\$'M</b>	<b>Six months ended 30th June, 2021 (Unaudited) HK\$'M</b>
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Hotel operations and management services	<b>959.4</b>	309.6
Other operations	<b>26.1</b>	24.3
<i>Revenue from other sources</i>		
Rental income:		
Hotel properties	<b>22.1</b>	27.8
Investment properties	<b>8.8</b>	2.5
Aircraft	<b>12.0</b>	15.7
Others	<b>1.4</b>	1.4
Gain from sale of financial assets at fair value through profit or loss, net	<b>0.8</b>	14.7
Gain on settlement of derivative financial instruments, net	–	0.3
Interest income from financial assets at fair value through profit or loss	<b>6.2</b>	4.6
Dividend income from listed investments	<b>2.7</b>	3.0
Other operations	<b>0.4</b>	0.4
	<b>1,039.9</b>	404.3

	<b>Six months ended 30th June, 2022 (Unaudited) HK\$'M</b>	<b>Six months ended 30th June, 2021 (Unaudited) HK\$'M</b>
<u>Other income and gains</u>		
Bank interest income	4.8	3.9
Other interest income	26.4	46.6
Dividend income from unlisted investments	0.4	17.5
Gain/(Loss) on disposal of unlisted investments included in financial assets at fair value through profit or loss	5.7	(12.9)
Compensation received in relation to refinancing of a bank loan	23.7	–
Others	9.8	1.4
	<u>70.8</u>	<u>56.5</u>

4. An analysis of depreciation of the Group is as follows:

	<b>Six months ended 30th June, 2022 (Unaudited) HK\$'M</b>	<b>Six months ended 30th June, 2021 (Unaudited) HK\$'M</b>
Depreciation of property, plant and equipment	170.2	154.0
Depreciation of right-of-use assets	140.5	115.3
	<u>310.7</u>	<u>269.3</u>

5. Finance costs of the Group are as follows:

	<b>Six months ended 30th June, 2022</b>	<b>Six months ended 30th June, 2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Interest on bank loans	<b>128.0</b>	79.4
Interest on other borrowing	–	53.3
Interest on lease liabilities	<b>0.3</b>	0.2
Interest expenses arising from revenue contracts	<b>0.1</b>	–
Amortisation of debt establishment costs	<b>18.9</b>	17.6
Total interest expenses on financial liabilities not at fair value through profit or loss	<b>147.3</b>	150.5
Other loan costs	<b>1.9</b>	4.1
	<b>149.2</b>	154.6
Less: Finance costs capitalised	<b>(4.2)</b>	(22.2)
	<b>145.0</b>	132.4

6. The income tax charge/(credit) for the period arose as follows:

	<b>Six months ended 30th June, 2022</b>	<b>Six months ended 30th June, 2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Current – Hong Kong		
Charge for the period	<b>29.8</b>	17.7
Deferred	<b>(28.8)</b>	(25.1)
Total tax charge/(credit) for the period	<b>1.0</b>	(7.4)

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2021 – 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\$73.7 million (2021 – HK\$0.8 million) is included in “Share of profits and losses of a joint venture and associates” in the condensed consolidated statement of profit or loss.

7. Dividend:

No dividend was paid or proposed during the six months ended 30th June, 2022, nor has any dividend been proposed since the end of the reporting period (2021 – Nil).

8. The calculation of basic earnings per ordinary share for the period ended 30th June, 2022 is based on the profit for the period attributable to equity holders of the parent of HK\$138.3 million (2021 – loss of HK\$276.4 million), adjusted for the distribution related to perpetual securities of HK\$57.4 million (2021 – HK\$56.8 million), and on the weighted average of 898.8 million (2021 – 898.8 million) ordinary shares of the Company in issue during the period.

No adjustment was made to the basic earnings/(loss) per ordinary share for the periods ended 30th June, 2022 and 2021 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.



9. Included in debtors, deposits and prepayments is an amount of HK\$280.7 million (31st December, 2021 – HK\$40.7 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:

	<b>30th June, 2022</b>	<b>31st December, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>270.8</b>	28.1
4 to 6 months	<b>3.6</b>	5.8
7 to 12 months	<b>6.1</b>	7.3
Over 1 year	<b>27.1</b>	25.6
	<hr/>	<hr/>
	<b>307.6</b>	66.8
Impairment	<b>(26.9)</b>	(26.1)
	<hr/>	<hr/>
	<b>280.7</b>	40.7
	<hr/>	<hr/>

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

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

10. Included in creditors, deposits received and accruals is an amount of HK\$41.0 million (31st December, 2021 – HK\$41.8 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:

	<b>30th June, 2022</b>	<b>31st December, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'M</b>	<b>HK\$'M</b>
Outstanding balances with ages:		
Within 3 months	<b>40.9</b>	41.7
4 to 6 months	<b>0.1</b>	0.1
	<b>41.0</b>	41.8

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

11. Included in interest bearing bank borrowings under current liabilities is an amount of HK\$1,169.2 million (31st December, 2021 – HK\$1,514.3 million) which represents the outstanding balance of revolving loan facilities with remaining tenors of over 12 months.

## **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, 2022.

## **REVIEW OF RESULTS**

The Group's condensed consolidated financial statements for the six months ended 30th June, 2022 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditor, whose review report is contained in the Company's interim report for the six months ended 30th June, 2022 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2022, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

## **CORPORATE GOVERNANCE**

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30th June, 2022, except that:

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

## **BOARD OF DIRECTORS**

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

***Executive Directors:***

Mr. LO Yuk Sui

*(Chairman and Chief Executive Officer)*

Miss LO Po Man

*(Vice Chairman and Managing Director)*

Ms. Belinda YEUNG Bik Yiu, JP

*(Chief Operating Officer)*

Mr. Donald FAN Tung

Mr. Jimmy LO Chun To

Mr. Kenneth NG Kwai Kai

Mr. Allen WAN Tze Wai

***Non-Executive Director:***

Dr. Francis CHOI Chee Ming, GBS, JP

*(Vice Chairman)*

***Independent Non-Executive Directors:***

Ms. Alice KAN Lai Kuen

Professor Japhet Sebastian LAW

Ms. Winnie NG, JP

Mr. WONG Chi Keung

By Order of the Board

**LO YUK SUI**

Chairman

Hong Kong, 25th August, 2022