



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)



INTERIM REPORT
2020



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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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

The Bank of East Asia, Limited

Standard Chartered Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

China Construction Bank Corporation, Hong Kong Branch

Oversea-Chinese Banking Corporation Limited

Bank of Communications Co., Ltd., Hong Kong Branch

Australia and New Zealand Banking Group Limited

United Overseas Bank Limited, Hong Kong Branch

Chong Hing Bank Limited

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited

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Hamilton HM 12, Bermuda

BRANCH REGISTRAR IN HONG KONG

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Mr. Lo Yuk Sui, aged 75; *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 40; *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 74; *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 62; *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, Board Member of the Hong Kong Tourism Board, 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.

Mr. Fan Tung, Donald, aged 63; *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 65; *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 providing corporate advisory and investment management services. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong (the “SFO”) and a responsible officer of Asia Investment Management Limited. 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 and Shimao Property Holdings Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Professor Japhet Sebastian Law, aged 68; *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 46; *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 65; *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 56; *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 61; *Executive Director* – Appointed to the Board in 2010. Mr. Allen Wan has been with the Century City Group for over 26 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 38 years of experience in finance and accounting field.

Mr. Wong Chi Keung, aged 65; *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 (formerly known as The Institute of Chartered Secretaries and Administrators) 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 International Group Limited, China Ting Group Holdings Limited, Changyou Alliance Group Limited (formerly known as Fortunet e-Commerce Group 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 37 years of experience in finance, accounting and management.

Dear shareholders,

I am presenting herewith the 2020 Interim Report of the Company.

FINANCIAL RESULTS

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

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

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

Having regard to the material difference prevailing between the carrying values of the Group's hotel portfolio in Hong Kong, which are subject to accumulated depreciation charges, and their fair values as at 30th June, 2020, an Adjusted Net Asset Statement is presented in the section headed "Management Discussion and Analysis" in this 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, 2020, the underlying adjusted net asset value of the Company would amount to HK\$21.4 per share.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

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

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

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

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

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

HOTEL OWNERSHIP

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

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

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

REGAL REAL ESTATE INVESTMENT TRUST

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

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

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

HOTEL OPERATIONS

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

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

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

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

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

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

HOTEL MANAGEMENT

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

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

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

PROPERTIES

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

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

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

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

AIRCRAFT OWNERSHIP AND LEASING

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

OUTLOOK

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

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

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

LO YUK SUI

Chairman

Hong Kong
25th August, 2020

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 for the property project in Portugal), 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 intended to be named as "Regala Skycity Hotel" at the Hong Kong International Airport

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

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

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

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

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

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

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

Overseas

Campus La Mola, Barcelona, Spain

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

41 Kingsway, London WC2B 6TP, the United Kingdom

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

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

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

JOINT VENTURE – P&R HOLDINGS LIMITED

P&R Holdings is a 50/50 owned joint venture established with Paliburg Holdings Limited ("PHL"), 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.

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

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

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

This residential project has a site area of approximately 11,192 square metres (120,470 square feet) and provides a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The occupation permit for the project was issued in November 2015 and the certificate of compliance was obtained in April 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

Property Development

Chengdu Project – Regal Cosmopolitan City

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

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

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

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

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

Tianjin Project – Regal Renaissance

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

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

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

Xinjiang Project

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

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

Other Investments

Investment in shares of AMTD International Inc.

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

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

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

Carbon Assets

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

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

PRC Real Estate Company

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

FINANCIAL ASSETS AND OTHER INVESTMENTS

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

FINANCIAL REVIEW

ASSETS VALUE

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

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

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

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

Cash Flows

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

Borrowings and Gearing

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

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

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

Details of the maturity profile of the borrowings of the Group as of 30th June, 2020 are shown in notes 11 and 12 to the condensed consolidated financial statements.

Lease Liabilities

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

Pledge of Assets

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

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

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2020 are shown in note 17 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2020 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, 2020 (2019 – payment of an interim dividend of HK4.5 cents per ordinary share, absorbing an amount of approximately HK\$40.4 million).

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 1,510 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, 2020 (Unaudited)	Six months ended 30th June, 2019 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2, 3	384.8	1,281.4
Cost of sales		<u>(345.3)</u>	<u>(637.3)</u>
Gross profit		39.5	644.1
Other income and gains	3	95.3	103.7
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		(306.5)	274.2
Fair value gains/(losses) on investment properties, net		(51.8)	21.9
Impairment loss on items of property, plant and equipment		(10.1)	–
Property selling and marketing expenses		(0.6)	(9.2)
Administrative expenses		(103.0)	(124.7)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION		(337.2)	910.0
Depreciation		(261.3)	(266.2)
OPERATING PROFIT/(LOSS)	4	(598.5)	643.8
Finance costs	5	(178.7)	(191.4)
Share of profits and losses of:			
A joint venture		(76.5)	(96.1)
Associates		0.2	35.8
PROFIT/(LOSS) BEFORE TAX		(853.5)	392.1
Income tax	6	(6.0)	(7.2)
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		(859.5)	384.9
Attributable to:			
Equity holders of the parent		(853.3)	379.1
Non-controlling interests		(6.2)	5.8
		(859.5)	384.9
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		HK(101.25) cents	HK35.84 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30th June, 2020 (Unaudited)	31st December, 2019 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		8,426.2	7,962.4
Investment properties		1,000.0	1,052.1
Right-of-use assets		11,081.4	11,197.7
Properties under development		443.7	443.2
Investments in joint ventures		4,439.1	3,967.2
Investments in associates		12.1	52.9
Financial assets at fair value through profit or loss		654.3	755.8
Other loan		1,062.0	1,062.0
Debtors and deposits	9	77.3	78.4
Deferred tax assets		47.5	47.5
Total non-current assets		27,243.6	26,619.2
CURRENT ASSETS			
Properties under development		890.8	868.7
Properties held for sale		240.2	237.7
Inventories		27.4	29.6
Debtors, deposits and prepayments	9	244.9	226.6
Financial asset at amortised cost		46.5	–
Financial assets at fair value through profit or loss		2,187.9	2,455.7
Other loans		354.0	390.8
Derivative financial instruments		0.4	3.1
Tax recoverable		5.7	4.5
Restricted cash		71.8	76.0
Pledged time deposits and bank balances		256.7	357.0
Time deposits		395.2	631.5
Cash and bank balances		671.0	801.6
Total current assets		5,392.5	6,082.8
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10	(259.3)	(332.1)
Contract liabilities		(44.3)	(43.3)
Lease liabilities		(16.0)	(16.6)
Interest bearing bank borrowings	11	(1,357.6)	(1,747.0)
Tax payable		(30.3)	(59.8)
Total current liabilities		(1,707.5)	(2,198.8)
NET CURRENT ASSETS		3,685.0	3,884.0
TOTAL ASSETS LESS CURRENT LIABILITIES		30,928.6	30,503.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		30th June, 2020 (Unaudited)	31st December, 2019 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT LIABILITIES			
Creditors and deposits received	10	(102.1)	(145.0)
Lease liabilities		(29.7)	(36.5)
Interest bearing bank borrowings	11	(11,687.8)	(11,309.5)
Other borrowing	12	(2,706.4)	(2,716.7)
Deferred tax liabilities		(819.1)	(839.7)
Total non-current liabilities		<u>(15,345.1)</u>	<u>(15,047.4)</u>
Net assets		<u>15,583.5</u>	<u>15,455.8</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		89.9	89.9
Reserves		13,089.1	12,908.8
		<u>13,179.0</u>	12,998.7
Perpetual securities		1,732.9	1,732.9
Non-controlling interests		671.6	724.2
Total equity		<u>15,583.5</u>	<u>15,455.8</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2020

	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 translating 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 CHANGES IN EQUITY (Cont'd)

For the six months ended 30th June, 2020

	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, 2019	89.9	404.7	17.7	7.3	8.1	-	(73.1)	12,409.5	12,864.1	1,732.9	838.6	15,435.6
Profit for the period	-	-	-	-	-	-	-	379.1	379.1	-	5.8	384.9
Other comprehensive income/(loss) for the period:												
Fair value loss on an equity investment designated at fair value through other comprehensive income	-	-	-	-	-	(49.5)	-	-	(49.5)	-	-	(49.5)
Exchange differences on translating foreign operations	-	-	-	-	-	-	(6.5)	-	(6.5)	-	-	(6.5)
Share of other comprehensive income of a joint venture	-	-	-	232.3	-	-	1.6	-	233.9	-	-	233.9
Total comprehensive income/(loss) for the period	-	-	-	232.3	-	(49.5)	(4.9)	379.1	557.0	-	5.8	562.8
Elimination of reciprocal interests	-	-	-	-	-	-	-	1.1	1.1	-	-	1.1
Final 2018 dividend declared	-	-	-	-	-	-	-	(125.8)	(125.8)	-	-	(125.8)
Distribution to non-controlling interests of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	(62.9)	(62.9)
Distribution to holders of perpetual securities	-	-	-	-	-	-	-	(57.4)	(57.4)	-	-	(57.4)
At 30th June, 2019	89.9	404.7	17.7	239.6	8.1	(49.5)	(78.0)	12,606.5	13,239.0	1,732.9	781.5	15,753.4

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30th June, 2020 (Unaudited)	Six months ended 30th June, 2019 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from operating activities	481.7	633.6
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment properties	(0.3)	(6.4)
Purchases of items of property, plant and equipment	(575.2)	(420.7)
Proceeds from disposal of an investment property	–	128.0
Proceeds from disposal of financial assets at fair value through profit or loss	14.5	–
Purchases of financial assets at fair value through profit or loss	(13.1)	(75.6)
Distribution from financial assets at fair value through profit or loss	47.3	–
Purchases of financial assets at amortised cost	(46.5)	(525.2)
Proceeds from redemption of financial assets at amortised cost	–	967.7
Advances to a joint venture	(119.1)	(621.0)
Repayment from a joint venture	63.8	511.9
Advances to an associate	(41.0)	–
Repayment from an associate	–	36.9
Interest received	63.5	51.7
Dividend received from unlisted investments	57.0	0.1
Decrease/(Increase) in other loans	36.8	(42.8)
Decrease/(Increase) in pledged time deposits and bank balances	100.3	(274.2)
Decrease/(Increase) in restricted cash	3.0	(4.8)
Increase in time deposit with an original maturity of more than three months when acquired	(11.2)	(138.1)
Net cash flows used in investing activities	(420.2)	(412.5)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of new bank loans	581.0	1,073.9
Repayment of bank loans	(605.8)	(1,012.5)
Interest paid	(232.3)	(219.9)
Payment of loan and other costs	(4.6)	(5.3)
Principal portion of lease payments	(8.2)	(9.1)
Dividends paid	(46.0)	(106.5)
Distributions to non-controlling interests of a listed subsidiary	(46.4)	(62.9)
Distribution to holders of perpetual securities	(56.7)	(57.4)
Decrease/(Increase) in restricted cash	1.2	(5.5)
Net cash flows used in financing activities	(417.8)	(405.2)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

	Note	Six months ended 30th June, 2020 (Unaudited)	Six months ended 30th June, 2019 (Unaudited)
		HK\$'million	HK\$'million
NET DECREASE IN CASH AND CASH EQUIVALENTS		(356.3)	(184.1)
Cash and cash equivalents at beginning of period		1,433.1	1,772.3
Effect of foreign exchange rate changes, net		(21.8)	(10.2)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>1,055.0</u>	<u>1,578.0</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)	1,066.2	1,726.1
Non-pledged time deposit with an original maturity of more than three months when acquired	13(a)	(11.2)	(148.1)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		<u>1,055.0</u>	<u>1,578.0</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

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

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

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1st January, 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's condensed consolidated financial statements.

2. Operating Segment Information

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

- (a) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income;
- (b) the asset management segment engages in the provision of asset management services to Regal 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, the provision of housekeeping and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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\$370.8 million and average lease rental yield ranging from 8.6% to 8.9%.

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, 2019	Six months ended 30th June, 2020	Six months ended 30th June, 2019	Six months ended 30th June, 2020	Six months ended 30th June, 2019	Six months ended 30th June, 2020	Six months ended 30th June, 2019	Six months ended 30th June, 2020	Six months ended 30th June, 2019	Six months ended 30th June, 2020	Six months ended 30th June, 2019	Six months ended 30th June, 2020	Six months ended 30th June, 2019	Six months ended 30th June, 2020	Six months ended 30th June, 2019	Six months ended 30th June, 2020
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment revenue:																
Sales to external customers	369.4	1,103.8	-	-	5.5	6.6	(18.9)	133.7	18.2	25.9	10.6	11.4	-	-	384.8	1,281.4
Intersegment sales	2.2	2.5	51.0	56.1	2.5	2.5	-	-	-	-	42.9	58.0	(98.6)	(119.1)	-	-
Total	371.6	1,106.3	51.0	56.1	8.0	9.1	(18.9)	133.7	18.2	25.9	53.5	69.4	(98.6)	(119.1)	384.8	1,281.4
Segment results before depreciation	(50.7)	412.9	(5.8)	(5.0)	39.1	105.4	(310.5)	408.9	5.9	17.8	3.0	(2.8)	-	-	(319.0)	937.2
Depreciation	(250.0)	(250.8)	(0.4)	(1.1)	(3.3)	(3.3)	-	-	(5.9)	(9.0)	(1.7)	(2.0)	-	-	(261.3)	(266.2)
Segment operating results	(300.7)	162.1	(6.2)	(6.1)	35.8	102.1	(310.5)	408.9	-	8.8	1.3	(4.8)	-	-	(580.3)	671.0
Unallocated interest income and unallocated non-operating and corporate gains															13.2	10.9
Unallocated non-operating and corporate expenses, net															(31.9)	(88.1)
Finance costs															(178.2)	(191.4)
Share of profits and losses of:																
A joint venture	-	-	-	-	(76.5)	(96.1)	-	-	-	-	-	-	-	-	(76.5)	(96.1)
Associates	-	-	-	-	0.1	35.6	-	-	-	-	0.1	0.2	-	-	0.2	35.8
Profit/(Loss) before tax															(853.5)	392.1
Income tax															(6.0)	(7.2)
Profit/(Loss) for the period before allocation between equity holders of the parent and non-controlling interests															(859.5)	384.9
Attributable to:																
Equity holders of the parent															(853.3)	379.1
Non-controlling interests															(6.2)	5.8
															(859.5)	384.9

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

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, 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
Type 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)

For the six months ended 30th June, 2019

Segments	Hotel operation and management and hotel ownership (Unaudited) HK'million	Property development and investment (Unaudited) HK'million	Aircraft ownership and leasing (Unaudited) HK'million	Others (Unaudited) HK'million	Total (Unaudited) HK'million
Type of goods or services					
Hotel operations and management services					
Hotel operations	1,060.3	–	–	–	1,060.3
Management services	5.3	–	–	–	5.3
Sale of aircraft	–	–	5.9	–	5.9
Other operations	–	2.0	–	9.3	11.3
Total revenue from contracts with customers	<u>1,065.6</u>	<u>2.0</u>	<u>5.9</u>	<u>9.3</u>	<u>1,082.8</u>
Geographical markets					
Hong Kong	1,060.3	2.0	–	9.3	1,071.6
Mainland China	5.3	–	–	–	5.3
Other	–	–	5.9	–	5.9
Total revenue from contracts with customers	<u>1,065.6</u>	<u>2.0</u>	<u>5.9</u>	<u>9.3</u>	<u>1,082.8</u>
Timing of revenue recognition					
At a point in time	292.2	–	5.9	3.4	301.5
Over time	773.4	2.0	–	5.9	781.3
Total revenue from contracts with customers	<u>1,065.6</u>	<u>2.0</u>	<u>5.9</u>	<u>9.3</u>	<u>1,082.8</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, 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	333.5	2.6	10.2	346.3

For the six months ended 30th June, 2019					
Segments	Hotel operation and management and hotel ownership (Unaudited)	Property development and investment (Unaudited)	Aircraft ownership and leasing (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Revenue from contracts with customers					
External customers	1,065.6	2.0	5.9	9.3	1,082.8
Intersegment sales	–	–	–	58.0	58.0
	1,065.6	2.0	5.9	67.3	1,140.8
Intersegment adjustments and eliminations	–	–	–	(58.0)	(58.0)
Total revenue from contracts with customers	1,065.6	2.0	5.9	9.3	1,082.8

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

4. Profit/(Loss) Before Tax

	Six months ended 30th June, 2020 (Unaudited)	Six months ended 30th June, 2019 (Unaudited)
	HK\$'million	HK\$'million
Profit on disposal of a property	–	9.0
Depreciation of property, plant and equipment	144.1	149.0
Depreciation of right-of-use assets	117.2	117.2
	261.3	266.2
Government subsidies* (included in cost of sales and administrative expenses)	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, 2020 (Unaudited)	Six months ended 30th June, 2019 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans	169.4	163.9
Interest on other borrowings	53.6	54.1
Interest on lease liabilities	0.5	0.7
Amortisation of debt establishment costs	16.1	15.4
Total interest expenses on financial liabilities not at fair value through profit or loss	239.6	234.1
Other loan costs	4.5	5.3
	244.1	239.4
Less: Finance costs capitalised	(65.4)	(48.0)
	178.7	191.4

6. Income Tax

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

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

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

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

7. Dividend

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

A final dividend of HK6.0 cents per ordinary share for the year ended 31st December, 2019, absorbing a total amount of approximately HK\$53.9 million, was approved at the annual general meeting of the Company and paid/payable during the period.

8. Earnings/(Loss) Per Ordinary Share Attributable to Equity Holders of the Parent

(a) Basic earnings/(loss) per ordinary share

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

(b) Diluted earnings per ordinary share

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

9. Debtors, Deposits and Prepayments

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

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

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.

Included in the Group's debtors, deposits and prepayments are amounts due from fellow subsidiaries of HK\$56.2 million (31st December, 2019 - HK\$23.6 million).

10. Creditors, Deposits Received and Accruals

Included in the balance is an amount of HK\$24.7 million (31st December, 2019 - HK\$52.9 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2020 (Unaudited)	31st December, 2019 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	24.7	52.6
Between 4 to 6 months	–	0.3
	<u>24.7</u>	<u>52.9</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\$13.6 million (31st December, 2019 - HK\$55.0 million), HK\$22.7 million (31st December, 2019 - HK\$22.7 million) and HK\$5.1 million (31st December, 2019 - HK\$5.3 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

11. Interest Bearing Bank Borrowings

	30th June, 2020 (Unaudited)		31st December, 2019 (Audited)	
	Maturity	HK\$'million	Maturity	HK\$'million
Current				
Bank loans – secured	2020 - 2021	1,357.6	2020	1,747.0
Non-current				
Bank loans – secured	2021 - 2024	<u>11,687.8</u>	2021 - 2024	<u>11,309.5</u>
		<u>13,045.4</u>		<u>13,056.5</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

	30th June, 2020 (Unaudited)	31st December, 2019 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	1,357.6	1,747.0
In the second year	6,479.5	6,304.3
In the third to fifth years, inclusive	5,208.3	5,005.2
	<u>13,045.4</u>	<u>13,056.5</u>

On 12th September, 2016, Regal REIT group, through its wholly owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$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, 2020, the 2016 IH Facilities had an outstanding amount of HK\$4,500.0 million, representing the full amount of the term loan facility.

On 8th March, 2018, Regal REIT group, through its 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, 2020, 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 its 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. As at 30th June, 2020, the facility and the outstanding amount on the 2019 WC Facility was HK\$405.0 million.

On 19th October, 2018, Regal REIT group, through its 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 have a term of five years to October 2023. As at 30th June, 2020, the utilised amount of the 2018 SW Facilities was HK\$632.0 million, representing the full amount of the term loan facility.

On 29th November, 2018, Regal REIT group, through its 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 (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, 2020, the outstanding amount of the 2018 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

On 4th September, 2017, Regal REIT group, through its 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. As at 30th June, 2020, the outstanding amount of the 2017 MTW Facility was HK\$748.0 million, representing the full amount of the term loan facility.

As at 30th June, 2020, the outstanding loan facilities of Regal REIT group bore interest at the Hong Kong Interbank Offered Rates ("HIBOR") plus an interest margin ranging from 0.92% per annum to 1.15% per annum (31st December, 2019 - ranging from 0.92% per annum to 1.15% 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 2017 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, 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\$2.3 million, which bore interest at Euro Interbank Offered Rates plus 2.5% per annum, a bank loan of HK\$2.2 million, which bore interest at London Interbank Offered Rates plus an interest margin of 1% per annum and bank loans of HK\$151.1 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\$117.6 million which were denominated in United States dollars and bank loans of HK\$26.4 million which were denominated in Euro.

As at 31st December, 2019, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.98% per annum to 1.25% per annum except for a bank loan of HK\$2.2 million, which bore interest at London Interbank Offered Rate plus an interest margin of 1% per annum and bank loans of HK\$574.5 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\$38.0 million which were denominated in United States dollars and bank loans of HK\$43.5 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.

12. Other Borrowing

	30th June, 2020 (Unaudited)	31st December, 2019 (Audited)
	HK\$'million	HK\$'million
Non-Current		
Other borrowing - unsecured		
Repayable in the second year	<u>2,706.4</u>	<u>2,716.7</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, 2020 (Unaudited)	Six months ended 30th June, 2019 (Unaudited)
	HK\$'million	HK\$'million
Cash and bank balances	671.0	875.6
Non-pledged time deposits with an original maturity of less than three months when acquired	384.0	702.4
Non-pledged time deposit with an original maturity of more than three months when acquired	<u>11.2</u>	<u>148.1</u>
Cash and cash equivalents	<u>1,066.2</u>	<u>1,726.1</u>

(b) Major non-cash transaction

During the six months ended 30th June, 2020, the Group received 533,333,332 ordinary shares of Cosmopolitan International Holdings Limited 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.

During the six months ended 30th June, 2019, the Group received 100,000,000 ordinary shares of Beijing Sports and Entertainment Industry Group Limited at an agreed value of HK\$262.5 million from P&R Holdings as a dividend. The Group designated the equity investment as financial asset at fair value through other comprehensive income.

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, 2020 (Unaudited)	Six months ended 30th June, 2019 (Unaudited)
	HK\$'million	HK\$'million
Fellow subsidiaries:		
Management fees	18.5	23.2
Development consultancy fees	2.3	–
Service fees in respect of security systems and products and other software	0.3	0.3
Repairs and maintenance fees and construction fees	4.7	3.2
An associate:		
Advertising and promotion fees (including cost reimbursements)	1.1	3.6
A joint venture:		
Gross interest income	65.5	78.2
Estate management fee income	1.2	1.2
	<u> </u>	<u> </u>

The nature and terms of the above related party transactions have not changed and were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2019.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

(b) Outstanding balances with related parties:

	30th June, 2020 (Unaudited)	31st December, 2019 (Audited)
	HK\$'million	HK\$'million
Due from fellow subsidiaries	56.2	23.6
Due from a joint venture	105.8	128.1
Due from associates	83.2	83.2
Due to associates	(13.6)	(55.0)
Due to fellow subsidiaries	(5.1)	(5.3)
Due to a joint venture	(22.7)	(22.7)
Loans to a joint venture	2,780.9	2,725.6
Other loan	<u>1,416.0</u>	<u>1,363.5</u>

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

	Six months ended 30th June, 2020 (Unaudited)	Six months ended 30th June, 2019 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	13.9	14.5
Staff retirement scheme contributions	<u>0.9</u>	<u>0.9</u>
Total compensation paid to key management personnel	<u>14.8</u>	<u>15.4</u>

15. Pledge of Assets

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

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

16. Contingent Liabilities

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

	30th June, 2020 (Unaudited)	31st December, 2019 (Audited)
	HK\$'million	HK\$'million
Corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture	2,274.4	2,352.0
Corporate guarantee provided in respect of a banking facility granted to an associate of a joint venture	178.6	178.6
	<u>178.6</u>	<u>178.6</u>

At 30th June, 2020, 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\$2,274.4 million (31st December, 2019 - HK\$2,352.0 million) and HK\$178.6 million (31st December, 2019 - HK\$178.6 million), respectively.

At 30th June, 2020, 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, 2019 - 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, 2019 - HK\$15.0 million).

17. Commitments

At 30th June, 2020, 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, 2019 - HK\$3,700.0 million) (the "P&R Capital Commitment"). At 30th June, 2020, shareholder's loans in an aggregate amount of HK\$568.3 million (31st December, 2019 - HK\$513.0 million) have been contributed, of which HK\$66.9 million (31st December, 2019 - HK\$11.6 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\$2,453.0 million (31st December, 2019 - HK\$2,530.6 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\$2,274.4 million (31st December, 2019 - HK\$2,352.0 million) and HK\$178.6 million (31st December, 2019 - 178.6 million), respectively, has been provided under the P&R Capital Commitment.

In addition, three (31st December, 2019 - three) loan facilities totalling HK\$2,212.6 million (31st December, 2019 - HK\$2,212.6 million) have been granted to P&R Holdings, of which HK\$2,212.6 million (31st December, 2019 - HK\$2,212.6 million) has been utilised, which bear interest at fixed rates of 4% to 5% per annum (2019 - 4% to 5.125% 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, 2020 (Unaudited)	31st December, 2019 (Audited)
	HK\$'million	HK\$'million
Contracted, but not provided for	<u>573.0</u>	<u>454.6</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, 2020 (Unaudited)	31st December, 2019 (Audited)
	HK\$'million	HK\$'million
Contracted, but not provided for: Property development projects	<u>554.9</u>	<u>897.8</u>

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, 2020

	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	1,706.4	–	–	1,706.4
Listed debt investments	–	481.5	–	481.5
Unlisted equity investments	–	–	158.5	158.5
Unlisted fund investments	–	–	493.0	493.0
Unlisted debt investments	–	–	2.8	2.8
Derivative financial instruments	–	0.4	–	0.4
	1,706.4	481.9	654.3	2,842.6

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Assets measured at fair value as at 31st December, 2019

	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	1,280.4	–	–	1,280.4
Listed debt investments	–	1,175.3	–	1,175.3
Unlisted equity investments	–	–	173.0	173.0
Unlisted fund investments	–	–	582.8	582.8
Derivative financial instruments	–	3.1	–	3.1
	<u>1,280.4</u>	<u>1,178.4</u>	<u>755.8</u>	<u>3,214.6</u>

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

	2020 (Unaudited)	2019 (Audited)
	HK\$'million	HK\$'million
Financial assets at fair value through profit or loss – unlisted investments:		
At 1st January	755.8	550.1
Purchases	13.1	144.6
Distributions	(47.3)	(18.5)
Total gains/(losses) recognised in profit or loss	(53.1)	84.1
Disposals	(14.2)	(4.5)
At 30th June/31st December	<u>654.3</u>	<u>755.8</u>

The Group did not have any financial liabilities measured at fair value as at 30th June, 2020 and 31st December, 2019.

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, 2019 - 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, listed debt investments and a structured deposit 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 put options, are determined based on market values provided by financial institutions.

19. 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 25th August, 2020.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2020, 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, 2020)
				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, 2020)
				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 (0.03%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)
						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, 2020)
				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 599,025,861 issued ordinary shares of the Company were held through companies wholly owned by PHL, in which CCIHL held 62.28% shareholding interests. The interests in the other 23,408,000 issued ordinary shares of the Company were held through a wholly owned subsidiary of Cosmopolitan, in which P&R Holdings Limited ("P&R Holdings") (which is owned as to 50% each by PHL and the Company through their respective wholly owned subsidiaries) held 62.16% 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 by Miss Lo Po Man as the beneficiary of a trust.

- (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 1,065,191,352 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 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of Cosmopolitan. The interests in 2,429,394,739 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. Cosmopolitan was held as to 62.16% shareholding interests by 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.
- (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, 2020, 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, 2020, 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, 2020
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%

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.

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, 2020, 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, 2019 is set out below:

Name of Director	Details of changes
<i>Executive Director:</i>	
Ms. Belinda Yeung Bik Yiu, JP	Appointed as a non-official member of the Business Facilitation Advisory Committee of the Government of Hong Kong with effect from 1st July, 2020.
<i>Independent Non-Executive Directors:</i>	
Ms. Alice Kan Lai Kuen	Resigned as an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist board of Singapore Exchange Securities Trading Limited, with effect from 27th April, 2020.
Professor Japhet Sebastian Law	Resigned as an independent non-executive director of Beijing Capital International Airport Company Limited ("Beijing Capital"), a company listed on the Stock Exchange, with effect from 23rd June, 2020. Appointed as an independent member of the Supervisory Board of Beijing Capital with effect from 23rd June, 2020.

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, 2020 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)	68.8	–	Nil	Nil
P&R Holdings Limited	(C)	<u>2,780.9</u>	<u>(D) 105.8</u>	<u>(E)(i) 2,453.0</u>	<u>(E)(ii) 2,453.0</u>
				Total: (A) to (E)(i)	<u>5,422.1</u>
				(A) to (D) & (E)(ii)	<u>5,422.1</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\$2,212.6 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\$2,453.0 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, 2020, 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\$5,422.1 million (based on the total available amount of the banking facilities) and (b) HK\$5,422.1 million (based on the total amount of banking facilities drawdown) represented (a) 16.6% and (b) 16.6% of the consolidated total assets of the Group of HK\$32,636.1 million, calculated by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2020.

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, 2020, 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	8,259.6	4,128.3
Current assets	10,269.2	5,131.2
Current liabilities	(4,614.9)	(2,307.2)
Non-current liabilities	(10,096.3)	(4,993.1)
	<hr/>	<hr/>
	3,817.6	1,959.2
Non-controlling interests	(676.1)	(338.0)
	<hr/>	<hr/>
Net assets attributable to equity holders of the parent	<u>3,141.5</u>	<u>1,621.2</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, 2020, except that:

- (1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.
- (2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

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, 2020.

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

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

REVIEW OF RESULTS

The 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, 2020, in conjunction with the external auditors. The review report of the external auditors is set out on page 60 of this report.



**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 22 to 50, which comprises the condensed consolidated statement of financial position as at 30th June, 2020 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

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

25th August, 2020

