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

ANNOUNCEMENT OF 2021 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2021 HK$'M	Year 2020 HK$'M	% Change
Revenue	**986.6**	678.7	**+45.4%**
Gross profit	**235.5**	85.8	**+174.5%**
Operating profit before depreciation, finance costs and tax	**228.0**	165.5	**+37.8%**
Loss for the year attributable to equity holders of the parent	**(494.4)**	(885.9)	**-44.2%**
Basic loss per ordinary share attributable to equity holders of the parent	**HK$(0.68)**	HK$(1.11)	**-38.7%**

	As at 31st December, 2021 (Unaudited)	As at 31st December, 2020 (Unaudited)	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	**HK$13.28**	HK$14.25	**-6.8%**
***Adjusted**	**HK$22.19**	HK$20.82	**+6.6%**

* compiled, for the purpose of reference, on an adjusted basis to restate the Group's hotel property portfolio in Hong Kong at its market value at 31st December, 2020 and 2021, respectively, with the relevant deferred tax liabilities added back

- **For the year ended 31st December, 2021, the Group recorded a consolidated loss attributable to shareholders of HK$494.4 million, which is substantially lower than the loss of HK$885.9 million recorded for the preceding year.**

- **The Group has adjusted the operating mode of its hotels in Hong Kong to adapt to the difficult market environment caused by the COVID-19 pandemic. Under the adjusted business strategy, the Group's hotel portfolio as a whole managed to generate increased operating profit as compared with 2020, although the quantum is still far below the normal pre-pandemic levels.**

- **Total depreciation charges on the Group's hotel portfolio in Hong Kong for the year amounted to HK$506.2 million which, although not affecting cash flow, have nonetheless adversely impacted the reported results. As a matter of fact, the loss incurred for the year under review can substantially be attributed to these depreciation charges.**

- **The Group has completed the development of its second hotel at the Hong Kong International Airport, the Regala Skycity Hotel, undertaken through a wholly owned subsidiary pursuant to a sublease from the Airport Authority. The hotel licence for this 1208-room hotel was issued in November 2021 and the hotel soft opened for business in December 2021.**

- **To fulfil our corporate social responsibility in supporting the Hong Kong Government's initiatives to combat the pandemic, four of the hotels under lease from Regal Real Estate Investment Trust, the listed subsidiary of the Company engaged principally in hotel ownership, enrolled in different cycles of the Designated Quarantine Hotel Scheme (DQHS) in 2021, while the other hotels within the Group's portfolio continued to operate normal hotel businesses catering to the local market.**

- **The Group has a 50% joint venture interest in P&R Holdings Limited which owns, apart from other developments and properties, the Mount Regalia in Kau To, Sha Tin. The Mount Regalia is a major luxury residential development that has a total of 24 garden houses and 136 apartment units, complemented with car parks and club house facilities. Up to 31st December, 2021, a total of 17 garden houses and 46 apartment units have been contracted to be sold at satisfactory prices, out of which, the sale transactions for 8 houses and 27 apartment units have been completed before that date. The sale transactions for the remaining 9 houses and 19 apartment units are scheduled under the terms of the relevant sale and purchase agreements to be completed during the course of the next two years. Marketing work for the sale of the remaining unsold units will be resumed after the gathering and social distancing measures are relaxed.**

- **The Group is developing through a wholly owned subsidiary a commercial/residential project, named as "The Queens", at Queen's Road West, Hong Kong. The development has a total of 130 residential units with club house facilities and commercial accommodations. The presale of the first batch of the residential units was first launched in April 2021. As the occupation permit for this project is anticipated to be issued in a few months' time, a new sale programme for the residential units is presently planned to be launched on an existing property basis after the relevant occupation permit has been issued.**

- **As a close supporter of the Hong Kong Government's anti-epidemic workforce since April 2020 and in response to the Government's request, the four hotels that were operating as quarantine hotels under the DQHS and, more recently, the Regala Skycity Hotel and the Regal Kowloon Hotel respectively enrolled to operate as hotels under the Community Isolation Facility Hotel Scheme, commencing at different times from mid-February to mid-March 2022, for terms of three months. Due to the change in recent circumstances, some of the hotels contracted under the CIF Hotel Scheme have their usages changed to serve as quarantine hotel facilities or other anti-pandemic purposes designated by the Government under the terms of the relevant contracts.**

- **It is expected that the fifth wave of the epidemic will continue to adversely affect the economy of Hong Kong, at least for the first half of 2022. As six hotels within the Group's hotel portfolio are now operating as hotels under the CIF Hotel Scheme, they will generate some steady revenues while the pandemic continues to weigh on the local economy.**

- **Viewed from a longer term perspective, and with the support from the central government of China, as stated in its 14th Five-Year Plan, Hong Kong should still have plenty of business opportunities through building itself as a center for innovation and technology, a center for cultural and artistic exchanges, a trade center for intellectual property rights as well as its strengthening position as an international aviation hub.**

- **With its solid financial strength and asset base, the Group is confident that it will overcome these challenging times and to regain its profitability once when the tourist market and the overall economic conditions in Hong Kong revive.**

FINANCIAL RESULTS

For the year ended 31st December, 2021, the Group recorded a consolidated loss attributable to shareholders of HK$494.4 million, as compared to the loss of HK$885.9 million recorded for the preceding year.

As mentioned in the announcement on the Group's financial information update published by the Company on 23rd March, 2022, the core hotel businesses of the Group continued to be severely disrupted by the COVID-19 pandemic during the year under review, as there were only very few international and mainland visitors to Hong Kong due to the travel restrictions and quarantine requirements. Nevertheless, the Group has adjusted the operating mode of its hotels in Hong Kong to adapt to this difficult market environment, with some of its hotels operating as quarantine hotels under the Designated Quarantine Hotel Scheme (DQHS) implemented by the Hong Kong Government at different times during the year. Under the adjusted business strategy, the Group's hotel portfolio as a whole managed to generate increased operating profit as compared with 2020, although the quantum is still far below the normal pre-pandemic levels. Moreover, while P&R Holdings Limited, the joint venture 50/50 owned by the Group and Paliburg Holdings Limited, the intermediate listed parent of the Company, had reported a loss in the preceding year, there was profit contribution from P&R Holdings in 2021. Consequently, the net loss attributable to shareholders of the Company for the year under review was substantially lower than that recorded in 2020.

Furthermore, it should be noted that as the Group's hotel properties in Hong Kong are all owned and self-operated by subsidiaries of the Company, 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 year amounted to HK$506.2 million which, although not affecting cash flow, have nonetheless adversely impacted the reported results. As a matter of fact, the loss incurred for the year under review can substantially be attributed to these depreciation charges.

Having regard to the material difference between the carrying values of the Group's hotel portfolio in Hong Kong, which are subject to accumulated depreciation charges, and their fair values as at 31st December, 2021, an Adjusted Net Asset Statement is presented in the section headed "Management Discussion and Analysis" in this announcement. The statement illustrated, for the purpose of reference, that if all such hotel properties were to be stated in the Group's financial statements at their independent professional market valuations as at 31st December, 2021, the underlying adjusted net asset value of the Company would amount to HK$22.19 per share.

BUSINESS OVERVIEW

HOTELS
MARKET OVERVIEW

Based on a recent publication by the World Bank Group, global growth was estimated to have rebounded by 5.5% in 2021 but is expected to decelerate to 4.1% in 2022. This reflects the continuing concerns over the spread of the COVID-19 variants, the anticipated tapering of fiscal support in major economies and the bottlenecks in the global supply chain. On the other hand, due to the recoveries in demands and the increases in commodity prices, there were rising inflationary pressures in most countries during the year. In China, after attaining an estimated year-on-year increase of 8.1% in its Gross Domestic Product in 2021, its economic growth is also expected to moderate in 2022, amid the lingering effects of the pandemic and the tighter regulations imposed by the central government on various business sectors. As a typical open economy, Hong Kong has always been influenced by the shifting dynamics of the global economic recovery as well as the macro policy adjustments of Mainland China. In 2021, Hong Kong recorded a growth of 6.4% in its GDP as compared to 2020.

Despite the fact that the COVID-19 pandemic was under control in Hong Kong for most part of 2021, the imposition of stringent travel restrictions continued and the number of visitor arrivals in 2021 stayed at an extremely low level. For the whole year of 2021, there were only 91,400 visitors to Hong Kong, including 65,700 visitors from Mainland China, which reflected a decline of 97.6% year-on-year and represented only a minute fraction of the pre-pandemic levels.

Based on the hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories in 2021 was 63.0%, an increase of 17.0 percentage points from 2020, while the industry-wide average room rate dropped by 3.0%, with the average Revenue per Available Room (RevPAR) having overall increased by 32.8% year-on-year.

Faced with the extremely difficult operating environment, the hotel operators in Hong Kong have adapted to an adjusted business strategy during the year to focus on staycation and long stay businesses in the domestic market, while some hotels have joined the DQHS to provide hotel quarantine facilities mostly for returning residents. Accordingly, due to the varied operating structure, the industry averages recorded for 2021 should only serve for general reference and may not be appropriate to be taken for direct comparison against previous operating periods, particularly, those which were pre-COVID.

HOTEL OWNERSHIP

As reported before, the Group has completed the development of its second hotel at the Hong Kong International Airport, the Regala Skycity Hotel, undertaken through a wholly owned subsidiary of the Company under a sublease from the Airport Authority. This 1208-room hotel embraces a wide range of sustainable features in its building design, construction and operation. The hotel licence was issued in November 2021 and the hotel soft opened for business in December 2021.

To support the Hong Kong Government's initiatives against the COVID-19 pandemic, this hotel has been operating as a hotel facility under the Community Isolation Facility Hotel Scheme from 24th February, 2022, as further mentioned below.

The Group owns a historical building located at a prime location in London, the United Kingdom, which is planned to be renovated into a niche urban hotel. The interior design for the renovation works is being finalised and the renovation works are anticipated to commence later this year.

The lessee of the hotel that the Group owns in Barcelona, Spain has been in default on rentals and other payments under the lease since 2020. The Group has commenced legal proceedings against the lessee to enforce its rights under the lease agreement, including recovery of possession.

REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2021, the Group held approximately 74.9% of the total outstanding issued units of Regal REIT, while Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, acts as the REIT Manager.

For the year ended 31st December, 2021, Regal REIT recorded a consolidated profit before distributions to Unitholders of HK$577.1 million, as compared to a loss of HK$2,309.8 million for the financial year 2020. The profit recorded for the year under review included a fair value gain of HK$309.3 million arising from the increase in the appraised values of Regal REIT's investment property portfolio, after accounting for the additional capital expenditures incurred, while for the comparative year in 2020, a fair value loss of HK$2,748.0 million was recorded. If the effects of the fair value changes are excluded, the core profit before distributions to Unitholders for 2021 would amount to HK$267.8 million, as compared to HK$438.2 million for the preceding year.

Total distributable income for the year under review amounted to HK$310.8 million, as compared to HK$491.4 million reported in 2020. The decrease in the total distributable income was mainly attributable to the reduction in the overall rental income due to the adverse impact on the hospitality industry caused by the global COVID-19 pandemic.

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

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong. The average occupancy rate for this hotel in 2021 was 82.0%, as compared to 73.9% in 2020. Over the same comparative period, its average room rate increased by 3.1%, with its average RevPAR consequently improved by 14.4% year-on-year. This hotel generated a modest gross operating profit during the year.

HOTEL OPERATIONS

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

To fulfil our corporate social responsibility in supporting the Hong Kong government's initiatives to combat the pandemic, four of the hotels under lease from Regal REIT, namely, the Regal Airport Hotel, the Regal Oriental Hotel, the iclub Ma Tau Wai Hotel and the iclub Fortress Hill Hotel enrolled in different cycles of the DQHS in 2021. In the meantime, the other hotels within the Group's portfolio continued to operate normal hotel businesses catering to the local market. Therefore, the operating statistics of the Group's hotels highlighted below should bear reference to the changes in the operating mode of certain of these hotels.

During the year, the combined average occupancy rate for the five Regal Hotels was 57.3%, as compared to 37.2% in the prior year. Although their combined average room rate decreased by 12.9%, their average RevPAR on the whole improved by 34.1% year-on-year.

The market rental review for the five Regal Hotels for 2022 was completed in November 2021. The aggregate annual base rent for the five hotels for 2022 was determined to be HK$475.0 million, which was HK$15.0 million above the aggregate base rent for 2021, with variable rent continuing to be based on 50% sharing of the excess of their aggregate net property income over the aggregate base rent.

The other three iclub Hotels owned by Regal REIT and leased to Favour link are, respectively, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel. The combined average occupancy rate for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel for the year was 77.7%, which was 5.6 percentage points above the level in 2020. At the same time, their combined average room rate also increased by 6.7%, resulting in a year-on-year growth of 15.1% in their average combined RevPAR.

Same as with the five Regal Hotels, the rental packages for these two iclub Hotels are determined annually by a jointly appointed independent professional property valuer. Under the market rental reviews also concluded in November 2021, the base rent for 2022 for each of these two hotels was determined to be HK$27.0 million, which is a slight increase of HK$1.0 million above their respective annual base rents in 2021. Variable rent will continue to be based on 50% sharing of the excess of the net property income over the base rent of each hotel.

The iclub Ma Tau Wai Hotel is still within the initial 5-year fixed rental term that ends in early September 2022. In December 2021, Regal REIT exercised the option granted to it under the existing lease agreement to extend the lease term to 31st December, 2027, with the rentals in the extended term to be based on independent annual market rental reviews. Under the arrangement agreed with P&R Holdings, Favour Link as the lessee of this hotel is entitled to reimbursement from P&R Holdings annually for any deficit between the rental expenses and the net property income from the business operation of the hotel within the initial 5 years of the lease term. This hotel maintained an average occupancy rate of 70.5% in 2021, as compared to 66.1% in 2020. Over the same comparative period, its average achieved room rate increased by 113.3%, with its average REVPAR consequently enhanced by 127.6% year-on-year.

HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Group, is the hotel manager managing all the five Regal Hotels, six iclub Hotels and one Regala Hotel that are operating in Hong Kong. Opened in December 2021, the 1208-room Regala Skycity Hotel is the latest addition to the Group’s portfolio.

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

PROPERTIES

As mentioned above, the COVID-19 pandemic was under control in Hong Kong for most part of 2021. Despite the travel restrictions to Hong Kong that remained in place, the overall economy of Hong Kong sustained recovery during the year. Overall unemployment rate in Hong Kong fell from the peak of 7.2% in February to 3.9% towards the end of 2021. The real estate market as a whole was resilient, with prime development sites tendered by the Hong Kong Government during the year actively sought after by property developers. Benefiting from the pent-up demand and the persisting low interest rate environment, the residential property market rebounded strongly, both in terms of the overall transaction volume as well as the transacted price, but the pace of increase has apparently slowed down from the fourth quarter of 2021.

The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R Holdings. The development has a total of 24 garden houses and 136 apartment units, complemented with car parks and club house facilities. Up to 31st December, 2021, a total of 17 garden houses and 46 apartment units have been contracted to be sold at satisfactory prices, out of which, the sale transactions for 8 houses and 27 apartment units have been completed before that date. The sale transactions for the remaining 9 houses and 19 apartment units are scheduled under the terms of the relevant sale and purchase agreements to be completed during the course of the next two years. Due to the outburst of the fifth wave of the pandemic in January this year, the viewing of show units and physical properties at Mount Regalia has been temporarily suspended since February this year. Marketing work for the sale of the remaining unsold units will be resumed after the gathering and social distancing measures are relaxed.

A wholly owned subsidiary of the Group is developing a commercial/residential project, named as “The Queens”, at Queen’s Road West, Hong Kong. The development has a total of 130 residential units with club house facilities and commercial accommodations. The presale of the first batch of the residential units was first launched in April 2021. Due to the pandemic situation, property viewing activities of this project have also been restricted since February this year. As the occupation permit for this development is now anticipated to be issued in a few months’ time, the separate sales office with show flats will be closed from April this year.

A new sale programme for the residential units is presently planned to be launched on an existing property basis after the relevant occupation permit has been issued.

The Group is also undertaking, through one of its wholly owned subsidiaries, a commercial/residential redevelopment project at Hai Tan Street in Sham Shui Po. In this respect, the requisite judicial proceedings to consolidate the entire ownership interests in the relevant existing properties are progressing. In the meanwhile, the Group still owns a total of 9 garden houses in Regalia Bay, Stanley, some of which will continue to be disposed of if the prices offered are considered to be satisfactory. In overseas, the Group is also undertaking a renovation for sale property project in Lisbon, Portugal.

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

AIRCRAFT OWNERSHIP AND LEASING

At present, the Group owns a fleet of 3 Airbus passenger aircraft. Two of the aircraft are on operating leases with a major international airline operator in Europe, which are running on normal terms. Due to the global coronavirus pandemic, the lessee for the other aircraft has been in payment defaults. The Group took action to terminate the lease in November 2021 and has recovered possession of the aircraft. The Group is working closely with the professional aircraft manager to remarket this aircraft for sale or for re-lease.

OUTLOOK

The global outlook is clouded by various downside risks, including possible renewed outbreaks of the COVID-19 pandemic, the possibility of de-anchored inflation pressures and their potential impact on the interest rates environment and, most recently, the heated geopolitical tensions in Eastern Europe.

In early January this year, the Omicron variant started the fifth wave of the epidemic in Hong Kong and the Hong Kong Government has since introduced increasingly stringent social distancing measures in the local community. Despite these stringent control measures, the local infection numbers during the past two months have continued to soar. These have seriously affected the normal social and economic activities in Hong Kong, and many businesses particularly those in the food and beverage, retail and some services sectors have had to close down temporarily or permanently.

In February 2022, the Hong Kong Government requested the hotel operators in Hong Kong to participate in the Community Isolation Facility (CIF) Hotel Scheme, which aimed to provide in the short term the much needed accommodation to isolate people who were tested positive for COVID-19 but who were asymptomatic or having only mild symptoms. As a close supporter of the Hong Kong Government's anti-epidemic workforce since April 2020, the four hotels that were operating as quarantine hotels under the DQHS and, more recently, the Regala Skycity Hotel and the Regal Kowloon Hotel respectively enrolled to operate as hotels under the CIF Hotel Scheme commencing at different times from mid-February to mid-March 2022, for terms of three months. Due to the change in recent circumstances, some of the hotels contracted under the CIF Hotel Scheme have their usages changed to serve as quarantine hotel facilities or other anti-pandemic purposes designated by the Government under the terms of the relevant contracts.

It is expected that the fifth wave of the epidemic will continue to adversely affect the economy of Hong Kong, at least for the first half of 2022. Under the present circumstances, the plans for the gradual resumption of the international traffic as well as the re-opening of the Mainland border will unavoidably be delayed. Until the fifth wave of the epidemic is well under control and the traffic in and out of Hong Kong can return to normal, the outlooks for the tourist and hospitality industries and, indeed, the overall economy of Hong Kong in the short term cannot be optimistic.

As six hotels within the Group's hotel portfolio are now operating as hotels under the CIF Hotel Scheme, they will generate some steady revenues while the pandemic continues to weigh on the local economy. The Group is hopeful that this fifth wave of the pandemic will soon be over and that the normal social and business activities in Hong Kong will gradually recover from the latter part of this year.

Viewed from a longer term perspective, and with the support from the central government of China, as stated in its 14th Five-Year Plan, Hong Kong should still have plenty of business opportunities through building itself as a center for innovation and technology, a center for cultural and artistic exchanges, a trade center for intellectual property rights as well as its strengthening position as an international aviation hub.

With its solid financial strength and asset base, the Group is confident that it will overcome these challenging times and to regain its profitability once when the tourist market and the overall economic conditions in Hong Kong revive.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

Hong Kong

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

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

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

The hotel licence for this hotel was issued in November 2021 and the hotel soft opened for business in December 2021. To support the Hong Kong Government's initiatives against the COVID-19 pandemic, this hotel has been operating as a hotel facility under the Community Isolation Facility Hotel Scheme from 24th February, 2022.

The Queens, No.160 Queen's Road West, Hong Kong
The project has a combined site area of 682 square metres (7,342 square feet) and is being developed into a commercial/residential development with gross floor area of about 5,826 square metres (62,711 square feet). The project will have a total of 130 residential units with

club house facilities on the second floor and commercial accommodations on the ground and first floors. The foundation works have been completed and the superstructure works are in progress. The occupation permit for this project is scheduled to be obtained in the second quarter of 2022.

The presale of the first batch of the residential units was first launched in April 2021. Due to the pandemic situation, property viewing activities of this project have also been restricted since February this year. As the occupation permit for this development is now anticipated to be issued in a few months' time, the separate sales office with show flats will be closed from April 2022. A new sale programme for the residential units is presently planned to be launched on an existing property basis after the relevant occupation permit has been issued.

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

The properties presently comprise 100% ownership interests of Nos.227-227A of Hai Tan Street and interests in over 80% undivided shares of Nos.227B-227C of Hai Tan Street. The properties have a total site area of 431 square metres (4,644 square feet) and are intended for a commercial/residential development. The requisite judicial proceedings to consolidate the entire ownership interests in the relevant properties are progressing.

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

During the year, the Group has contracted to sell 3 garden houses in Regalia Bay at satisfactory prices. As at 31st December, 2021, the Group still retained a total of 9 garden houses in Regalia Bay with total gross area of about 4,178 square metres (44,972 square feet), 3 of which are held as investment properties, 4 as held for sale and 2 as property, plant and equipment and right-of-use assets. The Group will continue to dispose of some of these remaining houses if the prices offered are considered favourable.

Overseas

Campus La Mola, Barcelona, Spain

This hotel property has a total of 186 guestrooms and was acquired by the Group in 2014. The hotel was initially operated by the Group and subsequently leased to an independent third party under a lease agreement in September 2017. The lessee had been in default on rentals and other payments under the lease since 2020, despite certain amount of rental and other payments were recovered during 2021. Legal proceedings have been commenced against the lessee to enforce the owner's rights under the lease agreement, including recovery of possession.

41 Kingsway, London WC2B 6TP, the United Kingdom

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

The rehabilitation plan is to conserve in whole the building's historical heritage and to transform it into a niche urban hotel with a unique fine dining facility. The interior design for the renovation works is being finalised and the renovation works are anticipated to commence later this year. The hotel will be operated by the Group after completion.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

This is a rehabilitation and renovation project of a historical building located in a heritage conservation area of Lisbon, acquired in 2019 by an entity that was 90% owned by the Group. This building has a total gross floor area of about 1,836 square metres (19,768 square feet), comprising residential apartments as well as shops on ground floor. The design and renovation proposals have been approved by the local government authorities and renovation works are underway. There have been some delays due to the pandemic and the project is presently expected to be completed by mid 2022.

During the year under review, the Group acquired the remaining 10% equity interest from the other shareholder and now wholly owns this project. The apartment units and shops are intended to be marketed for sale at appropriate time after completion of the renovation works.

JOINT VENTURE – P&R HOLDINGS LIMITED

P&R Holdings is a 50/50 owned joint venture established with Paliburg, with capital contributions provided by the Company and Paliburg on a pro-rata basis in accordance with their respective shareholdings 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 (which, unless otherwise denoted, are all wholly owned by the P&R Holdings group) is set out below:

Domus and Casa Regalia, Nos.65-89 Tan Kwai Tsuen Road, Yuen Long, New Territories
This residential project, which was completed in 2016, has a site area of approximately 11,192 square metres (120,470 square feet) and provides a total of 170 units, comprising 36 garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet).

All the units in the apartment block, named Domus, had been sold. The garden houses comprised within this development are named as Casa Regalia. At present, 8 houses in Casa Regalia are still being retained, which are planned to be disposed of on a gradual basis but some of them may in the meantime be retained for rental income.

We Go MALL, No.16 Po Tai Street, Ma On Shan, Sha Tin, New Territories
This development has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. This shopping mall was opened for business in 2018 and is held for rental income. Although the rental rates on new leasings and lease renewals during the year have been affected by the adverse impact brought about by the pandemic, the overall leasing status of this shopping mall remained stable.

The Ascent, No.83 Shun Ning Road, Sham Shui Po, Kowloon
This is a joint venture project undertaken pursuant to a tender award by the Urban Renewal Authority of Hong Kong in 2014. The land has a site area of 824.9 square metres (8,879 square feet) and has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement carparks. The

project was completed in 2018. While all the residential units have already been disposed of, up to 31st December, 2021, 2 shops, 5 carparks and all the parking spaces for motorcycles have also been sold. The remaining shops and carparks will continue to be marketed for sale.

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

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

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

Up to 31st December, 2021, a total of 17 garden houses and 46 apartment units have been contracted to be sold at satisfactory prices (total sale price HK$3,687.4 million), out of which, the sale transactions for 8 houses and 27 apartment units (total sale price HK$2,016.5 million) have been completed before that date. The sale transactions for the remaining 9 houses and 19 apartment units (total sale price HK$1,670.9 million) are scheduled under the terms of the relevant sale and purchase agreements to be completed during the course of the next two years. Due to the outburst of the fifth wave of the pandemic in January this year, the viewing of the show units and physical properties at Mount Regalia has been temporarily suspended since February this year. Marketing work for the sale of the remaining unsold units, comprising 7 houses and 90 apartment units, will be resumed after the gathering and social distancing measures are relaxed.

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

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

(70,278 square feet) and covered floor area of approximately 9,355 square metres (100,697 square feet).

The project has been developed into a 20-storey hotel, comprising 288 guestrooms with ancillary facilities. The hotel was opened for business in March 2019 and the legal title to the property assigned 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 and managed by the Group. This hotel has enrolled in the Designated Quarantine Hotel Scheme implemented by the Hong Kong Government to operate as hotel quarantine facilities since March 2022.

iclub AMTD Sheung Wan Hotel, No.5 Bonham Strand West, Sheung Wan, Hong Kong
The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and has been developed into a hotel with 98 guestrooms and suites (total 162 room bays), with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet).

P&R Holdings sold 50% beneficial interest in this property to AMTD Group in December 2019 and the property is now 50% owned by each of P&R Holdings and AMTD Properties (HK) Limited. This hotel was officially opened for business in November 2020 and is self-operated by the joint venture entity and managed by the Group.

Nos.9-19 Kam Wa Street, Shau Kei Wan, Hong Kong
The subject properties, which were acquired through private treaty transactions, have a total site area of 518 square metres (5,580 square feet). The demolition works for this project have been completed and the scheme for a commercial/residential development is being finalised.

Nos.291-293 and 301-303 Castle Peak Road, Cheung Sha Wan, Kowloon
The properties presently comprise interests in over 80% undivided shares of Nos.291-293 Castle Peak Road and 100% ownership interests of Nos.301-303 Castle Peak Road. The properties have a total site area of 488 square metres (5,260 square feet) and are intended for a composite commercial/residential redevelopment. Application for Land Compulsory Sale to

consolidate 100% ownership interests in the relevant properties has been submitted to the Lands Tribunal in December 2021.

Certain of the existing properties are presently classified as a Grade 2 Historic Building. A conservation proposal in conjunction with the proposed development is being discussed with the relevant government authorities, which would involve conserving the verandah portion of historical heritage within the new development, thus preserving its unique iconic image in the vicinity.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

Property Development

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

The 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 were all completed in December 2021. Nearly all of the residential units in the third stage have been presold by early 2021, at prices significantly higher than those attained in the first and second stages of the development. Total proceeds from the contracted presales and/or sales of the residential units amounted to approximately RMB2,046 million (HK$2,518.2 million). About 60% of the units presold have been handed over to their respective purchasers before the last year end and the revenues derived therefrom accounted for in the financial results for the year under review. The procedures for the hand over of the remaining units sold are expected to be completed shortly and the relevant revenues will be recognised in the current financial year.

The sale of the shops with about 2,350 square metres (25,300 square feet) comprised in the third stage are in progress. Up to date, a total of 2,173 square meters (23,390 square feet) of shops have been sold or contracted to be sold, at aggregate sale considerations of approximately RMB75.6 million (HK$93.0 million). The sale of 1,389 car parking spaces is continuing and, so far, 381 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB42.2 million (HK$51.9 million). The procedures for the hand over of the shop units to their respective purchasers in stages have also commenced from December 2021.

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

The construction works of the remaining commercial components within the development, comprising a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) are in steady progress. One of the office towers, three blocks of commercial facilities as well as the six-storey shopping mall podium have been topped-off. The market repositioning works of the shopping mall are in progress. The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 20,000 square metres (215,200 square feet), has commenced in May 2021. Up to date, 113 office units with a total of about 4,846 square meters (52,162 square feet) have been subscribed by prospective purchasers or presold under contracts, for an aggregate consideration of RMB43.3 million (HK$53.3 million). The presale of the remaining four office towers, consisting of 1,356 units with a total of about 66,000 square metres (710,500 square feet), will follow in phases with reference to the market environment.

Tianjin Project – Regal Renaissance

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

Nearly all of the residential units have been sold. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing but latest progress has been slow due to the downturn in the local retail market. Certain parts of the commercial complex have been leased out for rental income.

The superstructure works of the remaining two office towers and the four-storey commercial podium were completed in December 2021 and the related Completion Certificates were recently obtained. The programme for the presale of one office tower consisting of 137 units with a total of about 17,530 square metres (188,700 square feet) has been delayed and presently planned to be launched in the second half of 2022. Depending on the market conditions, the presale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), will be launched in phases thereafter. The market positioning works for the commercial podium are in progress.

Xinjiang Project

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

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

FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, private equities, bonds as well as treasury and yield enhancement products. Due to the economic disruptions caused by the sporadic outbreaks of the COVID-19 pandemic globally, the increasing inflationary pressures in most countries as well as other adverse factors, the capital market was volatile during the year. Market sentiment in Hong Kong was relatively weak, with the Hang Seng Index having dropped by 14.1% during 2021. Despite the volatile market conditions, the Group had recorded during the year satisfactory fair value gains on its equity investments portfolio.

FINANCIAL REVIEW

ASSETS VALUE

The Group's hotel properties in Hong Kong owned by Regal REIT, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, were stated in the financial statements at their fair values as at 23rd July, 2010 when Regal REIT became a subsidiary of the Group, plus subsequent capital additions and deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially as a whole but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel were stated in the Group's financial statements at their fair values at the time of acquisition net of the unrealised gain attributable to the Group and are also subject to depreciation and impairment, while the newly completed Regala Skycity Hotel owned by the Group is stated at cost and also subject to depreciation. For the purpose of providing supplementary information, if the Group's entire hotel property portfolio in Hong Kong is restated in the consolidated financial statements at market value as at 31st December, 2021, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$22.19 per share, computed as follows:

	As at 31st December, 2021	
	HK$'M	**HK$ per ordinary share**
Book net assets attributable to equity holders of the parent	**11,938.3**	**13.28**
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	**8,005.4**	**8.91**
Unaudited adjusted net assets attributable to equity holders of the parent	**19,943.7**	**22.19**

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

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

Cash Flows

During the year under review, there were net cash flows generated from operating activities of HK$174.3 million (2020 – HK$1,089.7 million). Net interest payment for the year amounted to HK$180.0 million (2020 – HK$171.6 million).

Borrowings and Gearing

As at 31st December, 2021, the Group had cash and bank balances and deposits of HK$2,233.7 million (2020 – HK$2,748.8 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$12,979.5 million (2020 – HK$13,264.7 million).

As at 31st December, 2021, the gearing ratio of the Group was 42.1% (2020 – 40.9%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK$12,979.5 million (2020 – HK$13,264.7 million), as compared to the total assets of the Group of HK$30,795.9 million (2020 – HK$32,459.3 million).

On the basis of the adjusted total assets as at 31st December, 2021 of HK$40,847.4 million (2020 – HK$40,176.7 million) with the Group's hotel portfolio in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 31.8% (2020 – 33.0%).

As at 31st December, 2021, the Group had net current assets of HK$3,379.8 million (2020 – net current liabilities of HK$3,792.7 million). In February 2021, the Group joined in a refinancing with a syndicate of bank lenders for a 3-year term facility in an aggregate facility amount of HK$4,125.0 million secured on the Mount Regalia properties, of which HK$1,125.0 million was made directly available to the Group as a revolving loan facility.

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

Details of the maturity profile of the borrowings of the Group as of 31st December, 2021 are shown in the consolidated financial statements ("Financial Statements") contained in the annual report of the Company for the year ended 31st December, 2021 (the "2021 Annual Report") to be published on or before 30th April, 2022.

Lease Liabilities

As at 31st December, 2021, the Group had lease liabilities of HK$32.1 million (2020 – HK$27.8 million).

Pledge of Assets

As at 31st December, 2021, the Group's properties held for sale and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK$20,967.2 million (2020 – HK$21,288.1 million) were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2021 are shown in the Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2021 are shown in the Financial Statements.

DIVIDEND

The Directors have resolved not to recommend the payment of a final dividend to holders of ordinary shares for the year ended 31st December, 2021 (2020 – Nil). No interim dividend was paid for the year ended 31st December, 2021 (2020 – Nil).

ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Monday, 13th June, 2022. The Notice of the Annual General Meeting will be published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company and sent to the shareholders of the Company, together with the Company's 2021 Annual Report, in due course.

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the 2022 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Wednesday, 8th June, 2022 to Monday, 13th June, 2022, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to be entitled to attend and vote at the 2022 Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Tuesday, 7th June, 2022.

YEAR END RESULTS

Consolidated Statement of Profit or Loss

	Year ended 31st December, 2021 HK$'M	**Year ended 31st December, 2020 HK$'M**
REVENUE (Notes 2 & 3)	**986.6**	678.7
Cost of sales	**(751.1)**	(592.9)
Gross profit	**235.5**	85.8
Other income and gains, net (Note 3)	**177.1**	270.0
Fair value gains on financial assets at fair value through profit or loss, net	**94.9**	159.8
Fair value gains/(losses) on investment properties	**11.6**	(72.9)
Impairment loss on items of property, plant and equipment	**(11.7)**	(90.1)
Impairment loss on investment in an associate	**(1.2)**	–
Property selling and marketing expenses	**(44.0)**	(14.0)
Administrative expenses	**(234.2)**	(173.1)
OPERATING PROFIT BEFORE DEPRECIATION	**228.0**	165.5
Depreciation	**(537.1)**	(522.5)
OPERATING LOSS (Note 4)	**(309.1)**	(357.0)
Finance costs (Note 5)	**(266.8)**	(290.1)
Share of profits and losses of:		
Joint ventures	**31.3**	(236.1)
Associates	**(1.2)**	(0.7)
LOSS BEFORE TAX	**(545.8)**	(883.9)
Income tax (Note 6)	**18.2**	(12.9)
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(527.6)**	(896.8)

Consolidated Statement of Profit or Loss (Cont'd)

	Year ended 31st December, 2021 HK$'M	Year ended 31st December, 2020 HK$'M
Attributable to:		
Equity holders of the parent	**(494.4)**	(885.9)
Non-controlling interests	**(33.2)**	(10.9)
	(527.6)	(896.8)
LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK$(0.68)**	HK$(1.11)

Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2021 HK$'M	**Year ended 31st December, 2020 HK$'M**
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(527.6)**	(896.8)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	**0.2**	54.8
Share of other comprehensive income of:		
A joint venture	**14.7**	47.9
An associate	**–**	0.1
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**14.9**	102.8
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of:		
A joint venture	**(277.9)**	758.0
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(263.0)**	860.8
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(790.6)**	(36.0)
Attributable to:		
Equity holders of the parent	**(757.2)**	(25.6)
Non-controlling interests	**(33.4)**	(10.4)
	(790.6)	(36.0)

Consolidated Statement of Financial Position

	31st December, 2021	31st December, 2020
	HK$'M	HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**6,327.2**	8,596.5
Investment properties	**605.3**	900.6
Right-of-use assets	**13,133.1**	10,917.3
Properties under development	**445.8**	444.3
Investments in joint ventures	**3,161.2**	4,010.1
Investments in associates	**8.9**	11.3
Financial assets at fair value through profit or loss	**659.9**	743.6
Other loan	**357.0**	–
Debtors and deposits (Note 9)	**78.6**	77.3
Deferred tax assets	**47.7**	50.1
Intangible assets	**3.6**	–
Total non-current assets	**24,828.3**	25,751.1
CURRENT ASSETS		
Properties under development	**1,043.2**	927.2
Properties held for sale	**293.4**	240.2
Inventories	**22.9**	25.2
Debtors, deposits and prepayments (Note 9)	**190.8**	282.1
Financial asset at amortised cost	**15.6**	–
Financial assets at fair value through profit or loss	**2,013.9**	1,941.1
Other loan	**121.9**	535.9
Derivative financial instruments	**26.3**	–
Tax recoverable	**5.9**	7.7
Restricted cash	**99.2**	88.5
Pledged time deposits and bank balances	**252.8**	311.3
Time deposits	**811.8**	81.9
Cash and bank balances	**1,069.9**	2,267.1
Total current assets	**5,967.6**	6,708.2

Consolidated Statement of Financial Position (Cont'd)

	31st December, 2021 HK$'M	31st December, 2020 HK$'M
CURRENT LIABILITIES		
Creditors, deposits received and accruals (Note 10)	**(408.2)**	(274.7)
Contract liabilities	**(127.7)**	(53.6)
Lease liabilities	**(10.6)**	(12.0)
Interest bearing bank borrowings	**(2,010.0)**	(7,426.3)
Other borrowing	–	(2,707.0)
Tax payable	**(31.3)**	(27.3)
Total current liabilities	**(2,587.8)**	(10,500.9)
NET CURRENT ASSETS/(LIABILITIES)	**3,379.8**	(3,792.7)
TOTAL ASSETS LESS CURRENT LIABILITIES	**28,208.1**	21,958.4
NON-CURRENT LIABILITIES		
Creditors and deposits received (Note 10)	**(104.8)**	(104.5)
Lease liabilities	**(21.5)**	(15.8)
Interest bearing bank borrowings	**(13,203.2)**	(5,880.2)
Deferred tax liabilities	**(747.3)**	(801.8)
Total non-current liabilities	**(14,076.8)**	(6,802.3)
Net assets	**14,131.3**	15,156.1
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**89.9**	89.9
Reserves	**11,848.4**	12,716.3
	11,938.3	12,806.2
Perpetual securities	**1,732.9**	1,732.9
Non-controlling interests	**460.1**	617.0
Total equity	**14,131.3**	15,156.1

Notes:

1. Basis of Preparation and Accounting Policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

The Group had a net loss attributable to owners of the parent of HK$494.4 million (2020 – HK$885.9 million) for the year ended 31st December, 2021 and net current assets of HK$3,379.8 million (2020 – net current liabilities of HK$3,792.7 million) and net assets of HK$14,131.3 million (2020 – HK$15,156.1 million) as at 31st December, 2021. The Group had total non-pledged time deposits, cash and bank balances of HK$1,881.7 million as at 31st December, 2021 (2020 – HK$2,349.0 million). The Group also had a positive net cash flows generated from operating activities of HK$174.3 million (2020 – HK$1,089.7 million) for the year ended 31st December, 2021.

The financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31st December, 2021, after taking into consideration the following:

(i) the estimated cash flows of the Group for the next twelve months from the end of the reporting period;
(ii) the available unutilised banking facilities of the Group; and

(iii) the refinancing concluded during the reporting period for certain interest bearing bank borrowings that are secured by certain properties as disclosed in the section headed "Management Discussion and Analysis" above in this results announcement.

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*

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

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

The Group had certain interest bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and European dollars based on Euro Interbank Offered Rate ("EURIBOR") as at 31st December, 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the EURIBOR-based borrowings, since the interest rates of these borrowings were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

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

2. Operating Segment Information

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

(a) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income;

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

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

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

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

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

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

Segment assets exclude deferred tax assets, tax recoverable, restricted cash, pledged time deposits and bank balances, time deposits, cash and bank balances, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest bearing bank borrowings, other borrowing, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2021 and 2020:

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2021 HK$'M	2020 HK$'M	2021 HK$'M	2020 HK$'M	2021 HK$'M	2020 HK$'M	2021 HK$'M	2020 HK$'M	2021 HK$'M	2020 HK$'M	2021 HK$'M	2020 HK$'M	2021 HK$'M	2020 HK$'M	2021 HK$'M	2020 HK$'M
Segment revenue (Note 3):																
Sales to external customers	875.5	646.6	-	-	10.6	10.3	27.2	(37.8)	27.6	36.4	45.7	23.2	-	-	986.6	678.7
Intersegment sales	4.4	4.5	86.1	93.9	3.7	4.9	-	-	-	-	120.1	71.7	(214.3)	(175.0)	-	-
Total	879.9	651.1	86.1	93.9	14.3	15.2	27.2	(37.8)	27.6	36.4	165.8	94.9	(214.3)	(175.0)	986.6	678.7
Segment results before depreciation	119.6	(65.9)	(13.5)	(11.6)	56.1	118.5	128.8	149.3	1.4	(4.5)	1.7	7.6	-	-	294.1	193.4
Depreciation	(521.1)	(500.4)	-	(0.4)	(4.9)	(6.4)	-	-	(8.0)	(11.8)	(3.1)	(3.5)	-	-	(537.1)	(522.5)
Segment operating results	(401.5)	(566.3)	(13.5)	(12.0)	51.2	112.1	128.8	149.3	(6.6)	(16.3)	(1.4)	4.1	-	-	(243.0)	(329.1)
Unallocated interest income and unallocated non-operating and corporate gains															12.5	20.8
Unallocated non-operating and corporate expenses, net															(79.0)	(49.5)
Finance costs (other than interest on lease liabilities)															(266.4)	(289.3)
Share of profits and losses of:																
Joint ventures	-	-	-	-	31.3	(236.1)	-	-	-	-	-	-	-	-	31.3	(236.1)
Associates	-	-	-	-	(1.2)	(0.5)	-	-	-	-	-	(0.2)	-	-	(1.2)	(0.7)
Loss before tax															(545.8)	(883.9)
Income tax															18.2	(12.9)
Loss for the year before allocation between equity holders of the parent and non-controlling interests															(527.6)	(896.8)
Attributable to:																
Equity holders of the parent															(494.4)	(885.9)
Non-controlling interests															(33.2)	(10.9)
															(527.6)	(896.8)

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2021 HK$'M	**2020 HK$'M**	**2021 HK$'M**	**2020 HK$'M**	**2021 HK$'M**	**2020 HK$'M**	**2021 HK$'M**	**2020 HK$'M**	**2021 HK$'M**	**2020 HK$'M**	**2021 HK$'M**	**2020 HK$'M**	**2021 HK$'M**	**2020 HK$'M**	**2021 HK$'M**	**2020 HK$'M**
Segment assets	19,183.0	19,227.4	30.0	31.3	3,052.4	3,269.6	2,724.9	2,755.4	330.5	347.9	18.8	19.8	(29.3)	(32.2)	25,310.3	25,619.2
Investments in joint ventures	-	-	-	-	3,161.2	4,010.1	-	-	-	-	-	-	-	-	3,161.2	4,010.1
Investments in associates	-	-	-	-	3.4	4.6	-	-	-	-	5.5	6.7	-	-	8.9	11.3
Cash and unallocated assets															2,315.5	2,818.7
Total assets															30,795.9	32,459.3
Segment liabilities	(518.7)	(288.8)	(1.5)	(1.0)	(82.4)	(46.0)	(0.4)	(21.5)	(66.2)	(65.4)	(16.3)	(9.7)	29.3	32.2	(656.2)	(400.2)
Interest bearing bank borrowings and unallocated liabilities															(16,008.4)	(16,903.0)
Total liabilities															(16,664.6)	(17,303.2)
Other segment information:																
Interest income	-	-	-	-	(64.4)	(146.1)	(9.1)	(43.0)	-	-	-	-				
Reimbursement of lease payments in connection with undertaking provided by a joint venture	(55.9)	(57.1)	-	-	-	-	-	-	-	-	-	-				
Impairment of trade debtors, net	2.1	8.2	-	-	-	-	-	-	3.8	7.2	-	(1.9)				
Fair value gains on financial assets at fair value through profit or loss, net	-	-	-	-	-	-	(94.9)	(159.8)	-	-	-	-				
Fair value (gains)/losses on investment properties	(10.4)	45.9	-	-	(1.2)	27.0	-	-	-	-	-	-				
Gain on disposal of investment properties	-	-	-	-	(4.0)	-	-	-	-	-	-	-				
Impairment loss on items of property, plant and equipment	-	60.1	-	-	-	-	-	-	11.7	30.0	-	-				
Capital expenditure	500.5	835.5	-	-	4.4	11.0	-	-	-	-	1.5	0.4				

Geographical information

(a) Revenue from external customers

	2021	2020
	HK$'M	HK$'M
Hong Kong	**948.2**	636.4
Mainland China	**4.3**	4.7
Other	**34.1**	37.6
	986.6	678.7

The revenue information above is based on the locations of the customers, except for the property development and investment segment which is based on the locations of the properties.

(b) Non-current assets

	2021	2020
	HK$'M	HK$'M
Hong Kong	**21,122.3**	23,152.9
Mainland China	**1,870.6**	1,014.5
Other	**692.2**	712.7
	23,685.1	24,880.1

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customer

No further information about major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer.

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

	2021 HK$'M	2020 HK$'M
<u>Revenue</u>		
Revenue from contracts with customers		
Hotel operations and management services	**812.3**	585.3
Other operations	**50.7**	27.3
	863.0	612.6
Revenue from other sources		
Rental income:		
Hotel properties	**52.7**	56.8
Investment properties	**12.5**	7.1
Aircraft	**27.6**	36.4
Others	**2.7**	2.7
Gain/(loss) from sale of financial assets at fair value through profit or loss, net	**12.1**	(87.9)
Gain on settlement of derivative financial instruments	**1.4**	0.5
Interest income from financial assets at fair value through profit or loss	**8.7**	41.4
Dividend income from listed investments	**5.0**	8.2
Other operations	**0.9**	0.9
	986.6	678.7

	2021	2020
	HK$'M	**HK$'M**
Other income and gains, net		
Bank interest income	**11.0**	19.5
Other interest income	**65.5**	148.0
Gain on disposal of investment properties	**4.0**	–
Loss on disposal of unlisted investments included in financial assets at fair value through profit or loss	**(9.8)**	(12.6)
Dividend income from unlisted investments	**17.5**	40.7
Reimbursement of lease payments in connection with undertaking provided by a joint venture	**55.9**	57.1
Others	**33.0**	17.3
	177.1	270.0

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

	2021	2020
	HK$'M	**HK$'M**
Depreciation of property, plant and equipment	**300.8**	289.0
Depreciation of right-of-use assets	**236.3**	233.5
	537.1	522.5

5. Finance costs of the Group are as follows:

	2021	2020
	HK$'M	HK$'M
Interest on bank loans	**189.2**	263.6
Interest on other borrowing	**58.6**	107.1
Interest on lease liabilities	**0.4**	0.9
Interest expenses arising from revenue contracts	**0.1**	–
Amortisation of debt establishment costs	**36.8**	32.5
Total interest expenses on financial liabilities not at fair value through profit or loss	**285.1**	404.1
Other loan costs	**7.4**	8.5
	292.5	412.6
Less: Finance costs capitalised	**(25.7)**	(122.5)
	266.8	290.1

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

	2021	2020
	HK$'M	HK$'M
Current – Hong Kong		
Charge for the year	**32.3**	53.5
Overprovision in prior years	**–**	(0.2)
Current – Overseas		
Charge for the year	**0.2**	1.2
Underprovision in prior years	**–**	0.5
Deferred	**(50.7)**	(42.1)
Total tax charge/(credit) for the year	**(18.2)**	12.9

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2020 – 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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$116.3 million (2020 – HK$5.4 million) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

7. Dividend:

No dividend was paid or proposed during the year ended 31st December, 2021, nor has any dividend been proposed since the end of the reporting period (2020 – Nil).

8. The calculation of the basic loss per ordinary share is based on the loss for the year attributable to equity holders of the parent of HK$494.4 million (2020 – HK$885.9 million), adjusted for the distribution related to perpetual securities of HK$113.6 million (2020 – HK$113.4 million), and on the weighted average of 898.8 million (2020 – 898.8 million) ordinary shares of the Company in issue during the year.

No adjustment was made to the basic loss per ordinary share for the years ended 31st December, 2021 and 2020 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

9. Included in debtors, deposits and prepayments is an amount of HK$40.7 million (2020 – HK$37.2 million) representing the trade debtors of the Group. The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	2021	**2020**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**28.1**	29.0
4 to 6 months	**5.8**	4.2
7 to 12 months	**7.3**	6.7
Over 1 year	**25.6**	17.5
	66.8	57.4
Impairment	**(26.1)**	(20.2)
	40.7	37.2

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

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

10. Included in creditors, deposits received and accruals is an amount of HK$41.8 million (2020 – HK$31.7 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2021	2020
	HK$'M	HK$'M
Outstanding balances with ages:		
Within 3 months	**41.7**	31.7
4 to 6 months	**0.1**	–
	41.8	31.7

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31st December, 2021.

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2021, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31st December, 2021, except that:

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

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

BOARD OF DIRECTORS

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

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

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

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

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 31st March, 2022