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 2022 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2022	Year 2021	% Change
	HK$'M	HK$'M	
Revenue	**1,831.1**	986.6	**+85.6%**
Gross profit	**857.8**	235.5	**+264.2%**
Operating profit before depreciation, finance costs and tax	**636.0**	228.0	**+178.9%**
Loss for the year attributable to equity holders of the parent	**(358.3)**	(494.4)	**-27.5%**
Basic loss per ordinary share attributable to equity holders of the parent	**HK$(0.53)**	HK$(0.68)	**-22.1%**
	As at 31st December,		
	2022	**2021**	
	(Unaudited)	**(Unaudited)**	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	**HK$12.60**	HK$13.28	**-5.1%**
★Adjusted	**HK$22.61**	HK$22.19	**+1.9%**

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

- **For the year ended 31st December, 2022, the Group recorded a consolidated loss attributable to shareholders of HK$358.3 million, as compared to a loss of HK$494.4 million incurred in the preceding financial year.**

- **For the year under review, the Group's gross profit amounted to HK$857.8 million (2021 – HK$235.5 million) and the operating profit before depreciation, finance costs and tax amounted to HK$636.0 million (2021 – HK$228.0 million).**

- **Total depreciation charges on the Group's hotel properties in Hong Kong for the year amounted to HK$598.0 million, including an amount of HK$121.0 million on the new Regala Skycity Hotel. Although these depreciation charges do not have any immediate impact on the Group's cash flow, they have nevertheless adversely affected the Group's financial results.**

- **If the Group's hotel properties were instead to be stated in the Group's consolidated financial statements at their fair values, with no depreciation charges required, the Group would have reported a profit for the year under review.**

- **The Regala Skycity Hotel was developed by a wholly owned subsidiary of the Company under a sublease from the Airport Authority. This hotel commenced business in December 2021 and had since January 2022 been operated as a quarantine facility or a quarantine hotel, until the ending of the quarantine scheme in late September 2022. It generated very satisfactory operating income in the year under review.**

- **Apart from the Regala Skycity Hotel, the Group owns through Regal Real Estate Investment Trust nine hotels operating in Hong Kong, including five Regal Hotels and four other hotels that are operating under the iclub brand.**

- **For year 2022 as a whole, the five Regal Hotels as well as the four iclub Hotels overall operated satisfactorily, with their combined average occupancy rate, combined average room rate and, consequently, their combined RevPAR having improved substantially year-on-year.**

- **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 in Kau To, Sha Tin is a major luxury residential development undertaken by P&R. The development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. Up to 31st December, 2022, a total of 17 garden houses and 52 apartments have been sold or contracted to be sold at satisfactory prices, of which the sale transactions for 14 houses and 39 apartment units had been completed. Sale transactions that were completed in 2022 included 6 houses and 12 apartments and the profits therefrom attributable to the Group have been accounted for in the results for the year under review. Since the last year end date, 3 houses and 1 apartment unit have additionally been contracted to be sold at satisfactory prices.**

- **The Queens at Queen's Road West, Hong Kong is a commercial/residential project recently developed by the Group, which has a total of 130 residential units with club house facilities and commercial accommodations. The occupation permit was issued in August 2022 and the sales of the units contracted to be sold on the first launch of the units presale in 2021 have been duly completed before the end of 2022. The Group is planning to relaunch the sale of the units later this year when the market environment is considered to be appropriate.**

- **As the visitor arrivals to Hong Kong in 2022 represented less than 1% of their peak record during the pre-pandemic times, the pent up demand for travelling to Hong Kong is significant and the tourism industry in Hong Kong is expected to stage a strong recovery in 2023.**

- **Although the financial results of the Group may still be negatively impacted if HIBOR continues to persist at the present or at even higher levels, the Group believes that the worst times should be over.**

- **The Group owns a strong portfolio of quality assets and diversified business interests and is well positioned for business recovery as economic conditions in Hong Kong return to normalcy.**

FINANCIAL RESULTS

For the year ended 31st December, 2022, the Group recorded a consolidated loss attributable to shareholders of HK$358.3 million, as compared to a loss of HK$494.4 million incurred in the preceding financial year.

The Group reported an unaudited consolidated profit of HK$138.3 million in the six months ended 30th June, 2022. The interim profit attained was mainly attributable to the increased income derived from hotel operations, particularly from those six hotels within the Group's hotel portfolio, including the new Regala Skycity Hotel that was opened for business in December 2021, which were operating as quarantine hotels or facilities under the various quarantine or isolation schemes implemented by the Hong Kong Government during that period.

However, due to the rapid hike in the Hong Kong Interbank Offered Rates (HIBOR), on which the borrowing costs of most of the bank loans of the Group are based, the financial expenses incurred by the Group in the second half of 2022 had substantially increased. Moreover, following the formal closure of the quarantine scheme by the Hong Kong Government in late September 2022, the Group's hotels that were operating as quarantine hotels or facilities had to take up some transitional time to prepare themselves for the resumption of normal hotel business operations. This has also affected the overall income of the Group's hotel operations in the second half of 2022. Consequently, the Group has reported a loss for the whole year of 2022 but the quantum has reduced as compared with 2021.

When reviewing the financial results of the Group, shareholders could note that for the year under review, the Group's gross profit amounted to HK$857.8 million (2021 – HK$235.5 million) and the operating profit before depreciation, finance costs and tax for the year under review amounted to HK$636.0 million (2021 – HK$228.0 million). As the Group's hotel properties in Hong Kong are all owned and self-operated by subsidiaries of the Company, they are subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on the Group's hotel properties in Hong Kong for the year under review amounted to HK$598.0 million, including an amount of HK$121.0 million on the new Regala Skycity Hotel. Although these depreciation charges do not have any immediate impact on the Group's cash flow, they have nevertheless adversely affected the Group's financial results. If the Group's hotel properties were instead to be stated in the Group's consolidated financial statements at their fair values, with no depreciation charges required, the Group would have reported a profit for the year under review.

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 as mentioned above, and their fair values as at 31st December, 2022, an Adjusted Net Asset Statement is presented in the section headed "Management Discussion and Analysis" in this announcement. The statement illustrated, for the purpose of reference, that if all such hotel properties were to be stated in the Group's financial statements at their independent professional market valuations as at 31st December, 2022, the underlying adjusted net asset value of the Company would amount to HK$22.61 per share.

BUSINESS OVERVIEW

HOTELS
MARKET OVERVIEW

During the year under review, global economic conditions have deteriorated sharply, mainly caused by the declining confidence along with high inflation, rapid monetary policy tightening in many advanced economies as well as the disruptions associated with the war in Ukraine. Under this difficult external environment, coupled with the adverse impact on economic activities due to the COVID-19 related restrictions that were imposed domestically in China for the most part of the year, China's Gross Domestic Product (GDP) for the year only posted a growth of 3.0%, which was below the target of 5.5% set in early 2022. In Hong Kong, both external exports and domestic demand also declined, with its GDP having contracted by 3.5% in 2022.

Stringent travel and quarantine measures continued to be imposed in Hong Kong until the end of the third quarter in 2022. While there was a mild rebound in visitor arrivals in the fourth quarter, incoming visitors to Hong Kong for the whole year of 2022 only totalled 604,600, including 375,130 visitors from Mainland China. Although this total number reflected an increase of more than 5 times year-on-year, due to the very low comparative base in 2021, it represented less than 1% of the total visitor arrivals to Hong Kong in 2018 prior to the outbreak of the pandemic.

Based on a hotel survey published by the Hong Kong Tourism Board (HKTB), the average hotel occupancy rate for all the surveyed hotels in different categories in 2022 was 66.0%, an increase of 3.0 percentage points from 2021, while the industry-wide average room rate improved by 23.8%, with the average Revenue per Available Room (RevPAR) having overall increased by 29.7% year-on-year.

HOTEL OWNERSHIP

The Group owns the Regala Skycity Hotel, which was developed by a wholly owned subsidiary under a sublease from the Airport Authority. This hotel commenced business in December 2021 and had since January 2022 been operated as a quarantine facility or a quarantine hotel, until the ending of the quarantine scheme in late September 2022. It generated very satisfactory operating income in the year under review.

Further details on the Regala Skycity Hotel and the latest update on the leasing status on the Barcelona hotel are contained in the section headed “Management Discussion and Analysis” in this announcement.

REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2022, the Group held approximately 74.9% of the total outstanding issued units of Regal REIT, while Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, acts as the REIT Manager.

For the year ended 31st December, 2022, Regal REIT recorded a consolidated profit before distributions to Unitholders of HK$929.9 million, as compared to a profit of HK$577.1 million for the financial year 2021. The profit recorded for the year under review included a fair value gain of HK$754.7 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 2021, a fair value gain of HK$309.3 million was recorded. If the effects of the fair value changes are excluded, the core profit before distributions to Unitholders for 2022 would amount to HK$175.2 million, as compared to HK$267.8 million for the preceding year.

Total distributable income for the year under review amounted to HK$204.8 million, as compared to HK$310.8 million reported in 2021. The decrease in the total distributable income was mainly attributable to the increase in the financial expenses incurred due to the rise in HIBOR, on which the borrowing costs of the bank loans of Regal REIT are based, particularly since the second half of 2022.

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

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and is the only hotel self-operated by Regal REIT but also managed by the Group. Due to its convenient location and its relatively small room inventory, this hotel continued to operate favourably and generated improved 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 the three iclub Hotels under lease from Regal REIT.

In late September 2022, the Hong Kong Government removed the compulsory quarantine requirements on incoming visitors, which officially marked the ending of the Designated Quarantine Hotel Scheme (DQHS). Apart from the Regala Skycity Hotel, five of the hotels leased from Regal REIT, namely, the Regal Airport Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel (formerly known as the iclub Ma Tau Wai Hotel), which were previously enrolled in different cycles of the DQHS and the Community Isolation Facility (CIF) scheme during 2022, have since resumed normal hotel business operations.

Following the ending of the quarantine scheme in September 2022, the supply of hotel rooms in Hong Kong was refilled with the room inventories of the hotels that were previously operating as quarantine hotels or facilities and this has led to even more intense competition in the local hotel market. Additionally, due to the transitional time required by those of our hotels to prepare for the resumption of normal hotel business operations, after having been operated as quarantine hotels or facilities for some period of time, the operating income of the Group's hotel portfolio in the second half of 2022 was lower than the level attained in the first half.

For year 2022 as a whole, the five Regal Hotels overall operated satisfactorily, with their combined average occupancy rate, combined average room rate and, consequently, their combined RevPAR all having improved substantially year-on-year. In accordance with the terms of the market rental packages determined by the independent professional property valuer, the aggregate base rent of the five Regal Hotels was fixed at HK$475.0 million. For year 2023, the aggregate annual base rent has been determined to be HK$480.0 million, which is slightly higher than the aggregate base rent for 2022, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income of the Regal Hotels over their aggregate base rent.

The other three iclub Hotels, namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel, likewise achieved substantial improvement in their hotel operations during the year. Aggregate rental paid by Favour Link to Regal REIT for these three hotels for 2022 amounted to HK$119.4 million, which included variable rent of HK$10.8 million with respect to the iclub Fortress Hill Hotel. The initial lease term for the iclub To Kwa Wan Hotel expired in September 2022 and the REIT Manager of Regal REIT has exercised its option under the lease agreement to extend the lease term to 31st December, 2027.

Based on the market rental reviews determined by the independent professional property valuer under the terms of the leases, the aggregate base rent for these three iclub Hotels for 2023 was determined to be HK$92.0 million, which was approximately 13.6% above their aggregate base rent in 2022, with variable rent similarly to be based on 50% sharing of the excess of the net property income over the base rent of each individual hotel.

Further details on the hotel properties wholly owned by the Group are contained in the section headed "Management Discussion and Analysis" in this announcement.

HOTEL MANAGEMENT

Apart from the Regala Skycity Hotel, the five Regal Hotels and four iclub Hotels that are owned by Regal REIT are all managed by Regal Hotels International Limited (RHI), the wholly owned management arm of the Group. RHI is also the hotel manager managing the iclub Mong Kok Hotel and the iclub AMTD Sheung Wan Hotel that are 100% and 50%, respectively, owned by P&R Holdings Limited, a 50/50 joint venture between the Company and Paliburg Holdings Limited, the intermediate listed holding company of the Company.

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

PROPERTIES

Due to the outbreak of the fifth wave of the COVID-19 pandemic in Hong Kong in the first half of 2022, the blocking of traffic with the Mainland, the rising interest rates and the continuously weak market sentiment, the property sector in Hong Kong underwent a marked correction in 2022. Although core underlying demand for residential properties remains strong, many prospective purchasers have been deferring their buying decisions, pending the revival of a more positive economic outlook. Transaction volume contracted sharply, both in the primary as well as the secondary markets. The average price of residential flats dropped by more than 15% during the year, ending the rising trend that has persisted in Hong Kong for over a decade.

Under this unfavourable market environment, the marketing plan and the sale progress of the Group's property project at The Queens and those undertaken by P&R have also been affected.

The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R. The development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. Up to 31st December, 2022, a total of 17 garden houses and 52 apartments have been sold or contracted to be sold at satisfactory prices, of which the sale transactions for 14 houses and 39 apartment units had been completed. Sale transactions that were completed in 2022 included 6 houses and 12 apartments and the profits therefrom attributable to the Group have been accounted for in the results for the year under review. Since the last year end date, 3 houses and 1 apartment unit have additionally been contracted to be sold at satisfactory prices.

Apart from Mount Regalia, P&R also owns a mixed portfolio of completed properties and hotels as well as properties held for development in Hong Kong, including the We Go MALL in Ma On Shan, Sha Tin, the iclub Mong Kok Hotel, a 50% interest in the iclub AMTD Sheung Wan Hotel and development properties at Kam Wa Street in Shau Kei Wan and at Castle Peak Road in Sham Shui Po.

The Queens at Queen's Road West, Hong Kong is a commercial/residential project recently developed by a wholly owned subsidiary of the Company. The project has a total of 130 residential units with club house facilities and commercial accommodations. The occupation permit for this project was issued in August 2022 and the sales of the units contracted to be sold on the first launch of the units presale in 2021 have been duly completed before the end of 2022. The Group is planning to relaunch the sale of the units later this year when the market environment is considered to be appropriate.

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

In overseas, the Group also owns a renovation for sale property project in Lisbon, Portugal and a historical building located at a prime location in London pending finalisation of development plan.

Further detailed information on the Group's development projects and properties as well as those undertaken by P&R and its listed subsidiary, Cosmopolitan International Holdings

Limited, is contained in the section headed "Management Discussion and Analysis" in this announcement.

AIRCRAFT OWNERSHIP AND LEASING

At present, the Group owns a fleet of 3 Airbus passenger aircraft, two of which are on operating leases with a major international airline operator in Europe and are running on normal terms. The other remaining aircraft was repossessed by the Group in November 2021 due to the default of the lessee and a disposition proposal is being finalised with the aircraft manager.

OUTLOOK

Normal travel between Hong Kong and the Mainland has resumed in phases from early January this year and all borders with the Mainland were later reopened for normal operation in early February. In the meantime, the Hong Kong Government has also cancelled the requirement for the isolation of people infected with COVID-19 and relaxed most of the health control measures, paving the way for Hong Kong to return to full normalcy. Bearing in mind that the visitor arrivals to Hong Kong in 2022 represented less than 1% of their peak record during the pre-pandemic times, the pent up demand for travelling to Hong Kong is significant and we expect the tourism industry in Hong Kong to stage a strong recovery in 2023.

The Hong Kong Government and the HKTB have been actively promoting a large-scale "Hello Hong Kong" campaign, including the giving away of 500,000 free airline tickets, aimed to attract tourists to Hong Kong from all over the world. At the same time, we also anticipate business travel to Hong Kong to rapidly revive, as over 30 large-scale international meetings, incentive travels, conventions and exhibition events are planned to be staged in Hong Kong in 2023, including some events that will be held in Hong Kong for the first time.

Although the financial results of the Group may still be negatively impacted if HIBOR continues to persist at the present or at even higher levels, the Group believes that the worst times should be over.

The Group owns a strong portfolio of quality assets and diversified business interests and is well positioned for business recovery as economic conditions in Hong Kong return to normalcy.

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, aircraft ownership and leasing and other investments including financial assets investments.

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

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

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

Hong Kong

Regala Skycity Hotel, the Hong Kong International Airport

In February 2017, a wholly owned subsidiary of 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 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 BEAM Plus Certification and EarthCheck Design Certified Gold Rating. The hotel licence was issued in November 2021. The hotel was soft opened for business in December 2021 and its grand opening will be launched in April 2023.

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 has been developed into a commercial/residential development with gross floor area of about 5,826 square metres (62,711 square feet). The development has a total of 130 residential units with club house facilities on the second floor and commercial accommodations on the ground and first floors. The occupation permit for this development was obtained in August 2022.

The presale of the first batch of the residential units was first launched in April 2021 and the sale transactions for the units presold have been duly completed before the end of 2022.

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

The judicial proceedings for the Land Compulsory Sale have been completed and the Group presently owns 100% ownership interests in the subject redevelopment properties. The properties have a total site area of 431 square metres (4,644 square feet) and are intended for a commercial/residential development with gross floor area of about 3,691 square metres (39,733 square feet).

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

The Group still retains a total of 9 garden houses in Regalia Bay with total gross area of about 4,178 square metres (44,972 square feet), 3 of which are held as investment properties, 4 held for sale and 2 as property, plant and equipment and right-of-use assets. Some of these remaining houses will continue to be disposed of if the prices offered are considered favourable.

Overseas

Campus La Mola, Barcelona, Spain

This hotel property has a total of 186 guestrooms and was acquired by the Group in 2014. The hotel was initially operated by the Group and was subsequently leased to an independent third party pursuant to a lease agreement in September 2017. The Group has recently reached a formal settlement arrangement with the lessee of the property, pursuant to which the outstanding and disputed rentals and other related payments have been settled by the lessee and the lease with the lessee extended on more favourable leasing terms.

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 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. In view of the recent changes in the market environment, alternative business plans and readaptation programmes are under study with the aim to optimising the intrinsic value of this unique property.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

This is a rehabilitation and renovation project of a historical building located in a heritage conservation area of Lisbon, acquired in 2019 by an entity that is now wholly owned by the Group. This building has a total gross floor area of about 1,836 square metres (19,768 square feet), comprising residential apartments as well as shops on ground floor. The renovation works are underway and expected to be completed by mid 2023. The apartment units and shops are intended to be marketed for sale after completion of the renovation works.

JOINT VENTURE – P&R HOLDINGS LIMITED

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

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

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

All the units in the apartment block, named Domus, had been sold. The garden houses comprised within this development are named as Casa Regalia. At present, 8 houses in Casa Regalia are still being retained and will be disposed of on a gradual basis.

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

This development has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. This shopping mall was opened for business in 2018 and is held for rental income. The leasing status of this shopping mall remained stable during the year. It is anticipated that, after the uplifting of the pandemic restrictions, its leased out ratio and rental levels will gradually improve.

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

This is a project undertaken pursuant to a tender award by the Urban Renewal Authority of Hong Kong in 2014. The land has a site area of 824.9 square metres (8,879 square feet) and has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement carparks. The project was completed in 2018. All the residential units as well as certain shops and carparks have already been sold. The remaining 2 shops and 5 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 the present time, a total of 20 garden houses and 53 apartment units have been sold or contracted to be sold at satisfactory prices (total sale price of HK$4,300.8 million), of which the sale transactions for 15 houses and 45 apartment units (total sale price of HK$3,422.3 million) have been completed. Sale transactions that were completed during the year included

6 houses and 12 apartment units (total sale price of HK$997.2 million) and the profits derived therefrom already accounted for in the results under review. The remaining 4 houses and 83 apartments command significant sale value and, apart from the house that is being used as property, plant and equipment, they will continue to be sold on a gradual basis.

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

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

The project has been developed into a 20-storey hotel, comprising 288 guestrooms with ancillary facilities, which was opened for business in March 2019. The hotel is presently self-operated by P&R and managed by the Group.

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 7,118 square metres (76,618 square feet).

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

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

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

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

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. Further information relating to the property projects of the Cosmopolitan group in the PRC, all of which are wholly owned, is set out below:

Property Development

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

The development works of third stage were already completed. Nearly all of the residential units in the third stage have been presold by early 2021. Total proceeds from the contracted presales and sales of the residential units amounted to approximately RMB2,046.2 million (HK$2,337.8 million). The aggregate sale considerations of those presold residential units in the third stage, whose handover procedures were completed during the course of 2022, amounted to RMB787.3 million (HK$915.6 million). The property income derived from the completed sales of residential and commercial units and car parking spaces in the third stage, before impairment loss on ascribed goodwill, tax and selling expense, amounted to HK$337.0 million, which has been accounted for in the year under review.

The sale of the shops with about 4,110 square metres (44,250 square feet) comprised in the third stage is in progress. Up to date, a total of 3,933 square meters (42,335 square feet) of shops have been sold or contracted to be sold, at aggregate sale considerations of approximately RMB90.9 million (HK$103.9 million). The sale of the 1,389 car parking spaces is continuing and, up to date, 453 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB49.5 million (HK$56.6 million). The procedures for the hand over of most of the shop units and car parking spaces sold have already been completed and the revenues accounted for in the year under review.

The interior construction works of the 325-room hotel for the procurement of the Completion Certificate are in progress and expected to be completed in the third quarter of 2023. The interior fitting-out works for the guestrooms and the podium based on the revised design scheme are planned to commence after the procurement of the Completion Certificate and the hotel is scheduled to open in phases after the completion of the respective fitting-out works.

The construction works of the remaining commercial components within the development, comprising a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) are in steady progress. All the office towers, the commercial facilities as well as the six-storey shopping mall podium have been topped-off. The market repositioning works of the shopping mall and certain office towers are also in progress. The pre-sale of the shops of about 2,650 square metres (28,550 square feet) comprised in the commercial facilities has commenced in 2022. Up to date, a total of 229 square metres (2,465 square feet) of shops have been pre-sold or contracted to be pre-sold, at aggregate sale considerations of approximately RMB6.5 million (HK$7.4 million).

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, 140 office units with a total of about 5,983 square meters (64,400 square feet) have been subscribed by prospective purchasers or presold under contracts, for an aggregate sale consideration of RMB52.4 million (HK$59.9 million). The presale of the remaining four office towers, consisting of 1,356 units with a total of about 66,000 square metres (710,500 square feet), will follow in phases with regard to the market environment.

Tianjin Project – Regal Renaissance

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

Nearly all of the residential units have been sold. The progress on the sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), has been relatively slow. Certain parts of the commercial complex have been leased out for rental income.

The superstructure works of the remaining two office towers and the four-storey commercial podium have been completed and the Completion Certificates obtained in March 2022. The sale programme for one of the office towers, consisting of 137 units with a total of about 17,530 square metres (188,700 square feet), has been delayed on account of the changed market environment and is now planned to be launched later this year. Depending on the sale progress, the sale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), may be launched in phases thereafter. The market repositioning works for the commercial podium are in progress.

Xinjiang Project

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

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

FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, private equities, bonds as well as treasury and yield enhancement products. The global capital market during the year was very difficult and volatile and the stock market in Hong Kong further weakened. The Group's performance in this business sector has been adversely affected and recorded a net loss in its financial assets investments business during the year under review.

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

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

FINANCIAL REVIEW

ASSETS VALUE

The Group's hotel properties in Hong Kong owned by Regal REIT, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan 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 To Kwa Wan 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, 2022, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$22.61 per share, computed as follows:

	As at 31st December, 2022	
	HK$'M	**HK$ per ordinary share**
Book net assets attributable to equity holders of the parent	**11,326.6**	**12.60**
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	**8,991.7**	**10.01**
Unaudited adjusted net assets attributable to equity holders of the parent	**20,318.3**	**22.61**

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As regards the Group's overseas investments which are based in currencies other than US dollar and Hong Kong dollar, the Group may consider, when deemed appropriate, hedging part or all of the investment amounts into US dollar or Hong Kong dollar to contain the Group's exposure to currency fluctuation.

Cash Flows

During the year under review, there were net cash flows generated from operating activities of HK$209.5 million (2021 – HK$174.3 million). Net interest payment for the year amounted to HK$225.0 million (2021 – HK$180.0 million).

Borrowings and Gearing

As at 31st December, 2022, the Group had cash and bank balances and deposits of HK$1,744.5 million (2021 – HK$2,233.7 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$13,831.2 million (2021 – HK$12,979.5 million).

As at 31st December, 2022, the gearing ratio of the Group was 45.7% (2021 – 42.1%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK$13,831.2 million (2021 – HK$12,979.5 million), as compared to the total assets of the Group of HK$30,247.8 million (2021 – HK$30,795.9 million).

On the basis of the adjusted total assets as at 31st December, 2022 of HK$41,652.4 million (2021 – HK$40,847.4 million) with the Group's hotel portfolio in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 33.2% (2021 – 31.8%).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2022 are shown in the consolidated financial statements ("Financial Statements") contained in the annual report of the Company for the year ended 31st December, 2022 (the "2022 Annual Report") to be published on or before 30th April, 2023.

As at 31st December, 2022, the Group had net current liabilities of HK$1,925.8 million (2021 – net current assets of HK$3,379.8 million) as apart from certain loan facilities of the Group in an aggregate amount of HK$2,381.4 million maturing within the next 12 months and the revolving loans of HK$1,707.9 million with remaining tenors of over 12 months that were classified under current liabilities, there were two other long term loans of Regal REIT group with an aggregate principal amount of HK$3,305.0 million (before deduction of the corresponding unamortised debt establishment cost of HK$39.8 million) which have maturity dates beyond 2023 ("the Relevant Loans") but classified as current liabilities as at the end of the reporting period. The Relevant Loans related to (1) a loan facility with an outstanding principal amount of HK$2,900.0 million which was deemed to have been in breach of a loan covenant related to the interest coverage ratio ("ICR") as 31st December, 2022 (which has built-in cash cure remedy provision); and (2) a loan facility with an outstanding principal amount of HK$405.0 million which was in breach of a loan covenant related to ICR as at 31st December, 2022. Subsequent to the reporting period, Regal REIT group has secured from the bank lenders of the Relevant Loans waivers on the ICR breaches and confirmations that the Relevant Loans remain repayable on their original maturity dates in 2027 and 2024, respectively, subject in each case to the topping up of the interest reserve with an additional 3-month interest payment. Despite the waivers and confirmations obtained from the bank lenders, the Relevant Loans of Regal REIT group were classified as current liabilities as at 31st December, 2022, in order to comply with the applicable accounting standards. As of the date of approval of these financial statements, having obtained the waivers from the bank lenders, there are no longer any deemed breach or breach of the ICR related loan covenants under the Relevant Loans as at 31st December, 2022.

Lease Liabilities

As at 31st December, 2022, the Group had lease liabilities of HK$26.5 million (2021 – HK$32.1 million).

Pledge of Assets

As at 31st December, 2022, the Group's properties held for sale and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK$20,394.7 million (2021 – HK$20,967.2 million) were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2022 are shown in the Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2022 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, 2022 (2021 – Nil). No interim dividend was paid for the year ended 31st December, 2022 (2021 – Nil).

ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Tuesday, 13th June, 2023. 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 2022 Annual Report, in due course.

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the 2023 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Thursday, 8th June, 2023 to Tuesday, 13th June, 2023, 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 2023 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 Wednesday, 7th June, 2023.

YEAR END RESULTS

Consolidated Statement of Profit or Loss

	Year ended 31st December, 2022 HK$'M	Year ended 31st December, 2021 HK$'M
REVENUE (Notes 2 & 3)	**1,831.1**	986.6
Cost of sales	**(973.3)**	(751.1)
Gross profit	**857.8**	235.5
Other income and gains, net (Note 3)	**165.8**	177.1
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	**(93.7)**	94.9
Fair value gains/(losses) on investment properties	**(7.3)**	11.6
Impairment loss on items of property, plant and equipment	**–**	(11.7)
Impairment loss on investments in associates	**(0.5)**	(1.2)
Property selling and marketing expenses	**(14.2)**	(44.0)
Administrative expenses	**(271.9)**	(234.2)
OPERATING PROFIT BEFORE DEPRECIATION	**636.0**	228.0
Depreciation	**(623.8)**	(537.1)
OPERATING PROFIT/(LOSS) (Note 4)	**12.2**	(309.1)
Finance costs (Note 5)	**(463.5)**	(266.8)
Share of profits and losses of:		
Joint ventures	**5.7**	31.3
An associate	**0.3**	(1.2)
LOSS BEFORE TAX	**(445.3)**	(545.8)
Income tax (Note 6)	**34.0**	18.2
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(411.3)**	(527.6)

Consolidated Statement of Profit or Loss (Cont'd)

	Year ended 31st December, 2022 HK$'M	Year ended 31st December, 2021 HK$'M
Attributable to:		
Equity holders of the parent	**(358.3)**	(494.4)
Non-controlling interests	**(53.0)**	(33.2)
	(411.3)	(527.6)
LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK$(0.53)**	HK$(0.68)

Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2022 HK$'M	Year ended 31st December, 2021 HK$'M
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(411.3)**	(527.6)
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	**(35.0)**	0.2
Share of other comprehensive income/(loss) of:		
A joint venture	**(36.1)**	14.7
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(71.1)**	14.9
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of:		
A joint venture	**(67.5)**	(277.9)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(138.6)**	(263.0)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(549.9)**	(790.6)
Attributable to:		
Equity holders of the parent	**(496.9)**	(757.2)
Non-controlling interests	**(53.0)**	(33.4)
	(549.9)	(790.6)

Consolidated Statement of Financial Position

	31st December, 2022 HK$'M	31st December, 2021 HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**6,014.4**	6,327.2
Investment properties	**595.4**	605.3
Right-of-use assets	**12,857.5**	13,133.1
Properties under development	**490.8**	445.8
Investments in joint ventures	**3,122.9**	3,161.2
Investments in associates	**8.8**	8.9
Financial assets at fair value through profit or loss	**757.6**	659.9
Other loan	**357.0**	357.0
Debtors and deposits (Note 9)	**84.4**	78.6
Deferred tax assets	**47.7**	47.7
Intangible assets	**6.8**	3.6
Total non-current assets	**24,343.3**	24,828.3
CURRENT ASSETS		
Properties under development	**85.0**	1,043.2
Properties held for sale	**1,370.0**	293.4
Inventories	**25.6**	22.9
Debtors, deposits and prepayments (Note 9)	**287.8**	190.8
Financial asset at amortised cost	**–**	15.6
Financial assets at fair value through profit or loss	**1,932.5**	2,013.9
Other loan	**382.2**	121.9
Derivative financial instruments	**70.1**	26.3
Tax recoverable	**6.8**	5.9
Restricted cash	**151.6**	99.2
Pledged time deposits and bank balances	**163.7**	252.8
Time deposits	**827.4**	811.8
Cash and bank balances	**601.8**	1,069.9
Total current assets	**5,904.5**	5,967.6

Consolidated Statement of Financial Position (Cont'd)

	31st December, 2022	31st December, 2021
	HK$'M	HK$'M
CURRENT LIABILITIES		
Creditors, deposits received and accruals (Note 10)	**(389.5)**	(408.2)
Contract liabilities	**(53.9)**	(127.7)
Lease liabilities	**(10.8)**	(10.6)
Interest bearing bank borrowings (Note 11)	**(7,354.5)**	(2,010.0)
Tax payable	**(21.6)**	(31.3)
Total current liabilities	**(7,830.3)**	(2,587.8)
NET CURRENT ASSETS/(LIABILITIES)	**(1,925.8)**	3,379.8
TOTAL ASSETS LESS CURRENT LIABILITIES	**22,417.5**	28,208.1
NON-CURRENT LIABILITIES		
Creditors and deposits received (Note 10)	**(101.6)**	(104.8)
Lease liabilities	**(15.7)**	(21.5)
Interest bearing bank borrowings	**(8,221.2)**	(13,203.2)
Deferred tax liabilities	**(687.6)**	(747.3)
Total non-current liabilities	**(9,026.1)**	(14,076.8)
Net assets	**13,391.4**	14,131.3
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**89.9**	89.9
Reserves	**11,236.7**	11,848.4
	11,326.6	11,938.3
Perpetual securities	**1,732.9**	1,732.9
Non-controlling interests	**331.9**	460.1
Total equity	**13,391.4**	14,131.3

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.

As at 31st December, 2022, the Group had net current liabilities of HK$1,925.8 million (2021 – net current assets of HK$3,379.8 million), as apart from certain loan facilities of the Group in an aggregate amount of HK$2,381.4 million maturing within the next 12 months and the outstanding balance of HK$1,707.9 million of revolving loan facilities with remaining tenors of over 12 months that were classified under current liabilities, there were two other long term loans of Regal REIT group with an aggregate principal amount of HK$3,305.0 million (before deduction of the corresponding unamortised debt establishment cost of HK$39.8 million) which have maturity dates beyond 2023 ("the Relevant Loans") but classified as current liabilities as at the end of the reporting period. The Relevant Loans related to (1) a loan facility with an outstanding principal amount of HK$2,900.0 million which was deemed to have been in breach of a loan covenant related to the interest coverage ratio ("ICR") as at 31st December, 2022 (which has built-in cash cure remedy provision); and (2) a loan facility with an outstanding principal amount of HK$405.0 million which was in breach of a loan covenant related to ICR as at 31st December, 2022. Subsequent to the reporting period, Regal REIT group has secured from the bank lenders of the Relevant Loans waivers on the ICR breaches and confirmations that the Relevant Loans remain repayable on their original maturity dates in 2027 and 2024, respectively, subject in each case to the topping up of the interest reserve with an additional 3-month interest payment. Despite the waivers and confirmations obtained from the bank lenders, the Relevant Loans of Regal REIT group were classified as current liabilities as at 31st December, 2022, in order to comply with the applicable accounting standards. As of the date of approval of these financial statements, having obtained the waivers from the bank lenders, there are no longer any deemed breach or breach of the ICR related loan covenants under the Relevant Loans as at 31st December, 2022.

As at 31st December, 2022, the Group had net assets of HK$13,391.4 million (2021 – HK$14,131.3 million) and total non-pledged time deposits, cash and bank balances of HK$1,429.2 million (2021 – HK$1,881.7 million) as at 31st December, 2022. The Group also had a positive net cash flows from operating activities of HK$209.5 million (2021 – HK$174.3 million) for the year ended 31st December, 2022.

The financial statements were prepared based on the assumption that the Group is operating as a going concern, as 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, 2022, 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 plan for certain maturing interest bearing bank borrowings that are secured by certain properties.

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30th June, 2021*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*

Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1st January, 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30th June, 2022, provided the other conditions for applying the practical expedient are met. The Group has not applied the practical expedient to any rent concessions granted by the lessors as a direct consequence of the COVID-19 pandemic. Accordingly, the adoption of the amendment has had no significant impact on the financial position and performance of the Group.

(c) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1st January, 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1st January, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(e) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1st January,

2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2. Operating Segment Information

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

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

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

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

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

(e) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental 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, 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, 2022 and 2021:

	Hotel operation and management and hotel ownership		**Asset management**		**Property development and investment**		**Financial assets investments**		**Aircraft ownership and leasing**		**Others**		**Eliminations**		**Consolidated**	
	2022 HK$'M	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**
Segment revenue (Note 3):																
Sales to external customers	1,647.0	875.5	-	-	84.5	10.6	23.9	27.2	24.1	27.6	51.6	45.7	-	-	1,831.1	986.6
Intersegment sales	4.5	4.4	89.6	86.1	2.4	3.7	-	-	-	-	165.7	120.1	(262.2)	(214.3)	-	-
Total	1,651.5	879.9	89.6	86.1	86.9	14.3	23.9	27.2	24.1	27.6	217.3	165.8	(262.2)	(214.3)	1,831.1	986.6
Segment results before depreciation	673.7	119.6	(17.9)	(13.5)	103.3	56.1	(65.5)	128.8	18.8	1.4	4.2	1.7	-	-	716.6	294.1
Depreciation	(610.0)	(521.1)	-	-	(4.0)	(4.9)	-	-	(6.8)	(8.0)	(3.0)	(3.1)	-	-	(623.8)	(537.1)
Segment operating results	63.7	(401.5)	(17.9)	(13.5)	99.3	51.2	(65.5)	128.8	12.0	(6.6)	1.2	(1.4)	-	-	92.8	(243.0)
Unallocated interest income and unallocated non-operating and corporate gains															12.7	12.5
Unallocated non-operating and corporate expenses, net															(93.8)	(79.0)
Finance costs (other than interest on lease liabilities)															(463.0)	(266.4)
Share of profits and losses of:																
Joint ventures	-	-	-	-	5.7	31.3	-	-	-	-	-	-	-	-	5.7	31.3
An associate	-	-	-	-	0.3	(1.2)	-	-	-	-	-	-	-	-	0.3	(1.2)
Loss before tax															(445.3)	(545.8)
Income tax															34.0	18.2
Loss for the year before allocation between equity holders of the parent and non-controlling interests															(411.3)	(527.6)
Attributable to:																
Equity holders of the parent															(358.3)	(494.4)
Non-controlling interests															(53.0)	(33.2)
															(411.3)	(527.6)

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2022 HK$'M	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**	**2022 HK$'M**	**2021 HK$'M**
Segment assets	18,716.0	19,183.0	33.6	30.0	3,415.7	3,052.4	2,766.5	2,724.9	323.1	330.5	33.6	18.8	(32.4)	(29.3)	25,256.1	25,310.3
Investments in joint ventures	-	-	-	-	3,122.9	3,161.2	-	-	-	-	-	-	-	-	3,122.9	3,161.2
Investments in associates	-	-	-	-	3.7	3.4	-	-	-	-	5.1	5.5	-	-	8.8	8.9
Cash and unallocated assets															1,860.0	2,315.5
Total assets															30,247.8	30,795.9
Segment liabilities	(426.8)	(518.7)	(1.5)	(1.5)	(58.1)	(82.4)	(3.3)	(0.4)	(65.6)	(66.2)	(21.9)	(16.3)	32.4	29.3	(544.8)	(656.2)
Interest bearing bank borrowings and unallocated liabilities															(16,311.6)	(16,008.4)
Total liabilities															(16,856.4)	(16,664.6)
Other segment information:																
Interest income	-	-	-	-	(84.4)	(64.4)	(12.8)	(9.1)	-	-	-	-				
Reimbursement of lease payments in connection with undertaking provided by a joint venture	(14.9)	(55.9)	-	-	-	-	-	-	-	-	-	-				
Impairment of trade debtors, net	1.1	2.1	-	-	-	-	-	-	-	3.8	-	-				
Fair value (gains)/losses on financial assets at fair value through profit or loss, net	-	-	-	-	-	-	93.7	(94.9)	-	-	-	-				
Fair value (gains)/losses on investment properties	(8.0)	(10.4)	-	-	15.3	(1.2)	-	-	-	-	-	-				
Gain on disposal of investment properties	-	-	-	-	-	(4.0)	-	-	-	-	-	-				
Impairment loss on items of property, plant and equipment	-	-	-	-	-	-	-	-	-	11.7	-	-				
Capital expenditure	46.8	500.5	-	-	3.3	4.4	-	-	-	-	1.5	1.5				

Geographical information

(a) Revenue from external customers

	2022	2021
	HK$'M	HK$'M
Hong Kong	**1,786.7**	948.2
Mainland China	**2.5**	4.3
Other	**41.9**	34.1
	1,831.1	986.6

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

	2022	2021
	HK$'M	HK$'M
Hong Kong	**21,170.5**	21,122.3
Mainland China	**1,266.4**	1,870.6
Other	**659.7**	692.2
	23,096.6	23,685.1

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:

	2022	**2021**
	HK$'M	**HK$'M**
Revenue		
Revenue from contracts with customers		
Hotel operations and management services	**1,580.1**	812.3
Proceeds from sale of properties	**73.8**	–
Other operations	**57.2**	50.7
	1,711.1	863.0
Revenue from other sources		
Rental income:		
Hotel properties	**45.4**	52.7
Investment properties	**23.0**	12.5
Aircraft	**24.1**	27.6
Others	**2.7**	2.7
Gain from sale of financial assets at fair value through profit or loss, net	**3.7**	12.1
Gain on settlement of derivative financial instruments	**–**	1.4
Interest income from financial assets at fair value through profit or loss	**12.5**	8.7
Dividend income from listed investments	**7.7**	5.0
Other operations	**0.9**	0.9
	1,831.1	986.6

	2022	2021
	HK$'M	**HK$'M**
Other income and gains, net		
Bank interest income	**10.7**	11.0
Other interest income	**85.3**	65.5
Gain on disposal of investment properties	**–**	4.0
Gain/(loss) on disposal of unlisted investments included in financial assets at fair value through profit or loss	**5.5**	(9.8)
Dividend income from unlisted investments	**2.2**	17.5
Reimbursement of lease payments in connection with undertaking provided by a joint venture	**14.9**	55.9
Compensation received in relation to refinancing of a bank loan	**23.7**	–
Others	**23.5**	33.0
	165.8	177.1

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

	2022	2021
	HK$'M	**HK$'M**
Profit on disposal of properties	**26.5**	–
Depreciation of property, plant and equipment	**342.5**	300.8
Depreciation of right-of-use assets	**281.3**	236.3
	623.8	537.1

5. Finance costs of the Group are as follows:

	2022 HK$'M	2021 HK$'M
Interest on bank loans	**425.0**	189.2
Interest on other borrowing	–	58.6
Interest on lease liabilities	**0.5**	0.4
Interest expenses arising from revenue contracts	**0.3**	0.1
Amortisation of debt establishment costs	**39.8**	36.8
Total interest expenses on financial liabilities not at fair value through profit or loss	**465.6**	285.1
Other loan costs	**4.2**	7.4
	469.8	292.5
Less: Finance costs capitalised	**(6.3)**	(25.7)
	463.5	266.8

6. The income tax credit for the year arose as follows:

	2022 HK$'M	2021 HK$'M
Current – Hong Kong		
Charge for the year	**24.9**	32.3
Overprovision in prior years	**(0.2)**	–
Current – Overseas		
Charge for the year	–	0.2
Deferred	**(58.7)**	(50.7)
Total tax credit for the year	**(34.0)**	(18.2)

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2021 – 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the 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$80.2 million (2021 – HK$116.3 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, 2022, nor has any dividend been proposed since the end of the reporting period (2021 – 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$358.3 million (2021 – HK$494.4 million), adjusted for the distribution related to perpetual securities of HK$114.8 million (2021 – HK$113.6 million), and on the weighted average of 898.8 million (2021 – 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, 2022 and 2021 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$119.1 million (2021 – HK$40.7 million) representing the trade debtors of the Group. The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	HK$'M	HK$'M
Outstanding balances with ages:		
Within 3 months	**98.6**	28.1
4 to 6 months	**3.8**	5.8
7 to 12 months	**12.9**	7.3
Over 1 year	**31.0**	25.6
	146.3	66.8
Impairment	**(27.2)**	(26.1)
	119.1	40.7

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$38.5 million (2021 – HK$41.8 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2022	**2021**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**38.2**	41.7
4 to 6 months	–	0.1
Over 1 year	**0.3**	–
	38.5	41.8

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

11. Included in interest bearing bank borrowings under current liabilities are the Relevant Loans in the amount of HK$3,265.2 million, being total principal amount of HK$3,305.0 million net of unamortised debt establishment cost of HK$39.8 million, as described in Note 1. Basis of Preparation and Accounting Polices, and in addition, an amount of HK$1,707.9 million (2021 – HK$1,514.3 million) which represents the outstanding balance of revolving loan facilities with remaining tenors of over 12 months.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31st December, 2022.

SCOPE OF WORK OF INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2022 as set out in this preliminary results announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditors on this preliminary results announcement.

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's draft consolidated financial statements for the year ended 31st December, 2022, 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, 2022, except that:

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

BOARD OF DIRECTORS

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

Executive Directors:
Mr. LO Yuk Sui
(Chairman and Chief Executive Officer)
Miss LO Po Man
(Vice Chairman and Managing Director)
Ms. Belinda YEUNG Bik Yiu, JP
(Chief Operating Officer)
Mr. 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, 27th March, 2023