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ANNOUNCEMENT OF 2023 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2023 (Unaudited) HK\$'M	Six months ended 30th June, 2022 (Unaudited) HK\$'M	% Change
Revenue	776.4	1,039.9	-25.3%
Gross profit	234.9	621.2	-62.2%
Operating profit/(loss) before depreciation, finance costs and tax	(101.0)	479.1	N/A
Profit/(Loss) from core business operations*	(234.4)	471.4	N/A
Profit/(Loss) attributable to equity holders of the parent	(762.6)	138.3	N/A
Basic earnings/(loss) per ordinary share attributable to equity holders of the parent	HK(91.23) cents	HK9.00 cents	N/A
	As at 30th June, 2023 (Unaudited)	As at 31st Dec, 2022 (Unaudited)	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	HK\$11.61	HK\$12.60	-7.9%
Adjusted**	HK\$21.93	HK\$22.61	-3.0%

* compiled on the basis that the fair value changes related to investment properties and financial assets and the depreciation charges, all being non-cash items, are excluded and after non-controlling interests

** 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, 2022 and 30th June, 2023, respectively, with the relevant deferred tax liabilities added back

- For the six months ended 30th June, 2023, the Group recorded a consolidated loss attributable to shareholders of HK\$762.6 million, while for the comparable six months in 2022, an attributable profit of HK\$138.3 million was attained.
- The loss recorded for the period under review was mainly attributable to the substantial increase in the finance costs due to the rapid hike in the interest rates in Hong Kong, the fair value losses incurred on the Group's financial assets as well as the depreciation charges on the Group's hotel properties.
- Although the business operations of the Group's hotels in Hong Kong have been steadily improving after the full reopening of the borders with Mainland China and the lifting of all anti-pandemic measures early this year, the overall revenues generated from the Group's hotel operations for the period were still much lower than the level attained in the comparative period in 2022, primarily due to the different revenue structure when six of the Group's hotels were then operating as quarantine hotels or facilities under the quarantine schemes of the Hong Kong Government.
- Total depreciation charges on the Group's hotel portfolio in Hong Kong for the period amounted to HK\$298.5 million which, although not affecting cash flow, have nonetheless adversely impacted the reported results.
- On the basis that the fair value changes related to investment properties and financial assets and the depreciation charges, all being non-cash items, are excluded, the Group's results from core business operations would have stated a net loss attributable to equity holders of the parent of HK\$234.4 million for the period under review.
- As the number of airline flights as well as the overall business activities in the airport community are still to recover to their normal levels, the business of the Group's Regala Skycity Hotel at the Hong Kong International Airport for the period was below earlier expectations. However, having regard to its strategic location and its direct linkage with the Asia World Expo and the Skycity complex, as well as the second airport terminal, when it is completed and becomes operational, the Group is confident that this hotel will be able to deliver strong recurring revenues when the airport and the Meetings, Incentives, Conference and Exhibitions businesses revive.

- **Apart from the Regala Skycity Hotel, all the other nine hotels of the Group operating in Hong Kong are owned through Regal Real Estate Investment Trust. Except for the iclub Wan Chai Hotel that is self-operated by Regal REIT, the other eight Regal and iclub hotels are leased to a wholly owned subsidiary of the Company for hotel operations.**
- **The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R Holdings Limited, a 50/50 held joint venture with Paliburg Holdings Limited, the intermediate listed parent of the Company. The development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. Up to the present time, a total of 20 garden houses and 53 apartments have been sold or contracted to be sold at satisfactory prices, of which the sale transactions for 17 houses and 47 apartment units had been completed. In addition, a garden house has been leased out during the period with an option granted to the lessee for the purchase of the property. The remaining houses and apartments command significant value and will continue to be sold on a gradual basis.**
- **The operating performance of the Group's hotel operations in July and August to-date has been encouraging, with progressive improvements being achieved both in the hotels' average occupancy levels as well as average room rates.**
- **The Group is optimistic in the recovering prospects of the tourist and hotel markets in Hong Kong and that the Group's hotel operations will continue to contribute a steady inflow of substantial revenues.**

FINANCIAL RESULTS

For the six months ended 30th June, 2023, the Group recorded a consolidated loss attributable to shareholders of HK\$762.6 million, while for the comparable six months in 2022, an attributable profit of HK\$138.3 million was attained.

As explained in the profit warning announcement published by the Company on 18th August, 2023, the loss recorded for the period under review was mainly attributable to the substantial increase in the finance costs due to the rapid hike in the interest rates in Hong Kong, the fair

value losses incurred on the Group's financial assets as well as the depreciation charges on the Group's hotel properties.

Although the business operations of the Group's hotels in Hong Kong have been steadily improving after the full reopening of the borders with Mainland China and the lifting of all anti-pandemic measures early this year, the overall revenues generated from the Group's hotel operations for the six months ended 30th June, 2023 were still much lower than the level attained in the comparative period in 2022, primarily due to the different revenue structure when six of the Group's hotels were then operating as quarantine hotels or facilities under the quarantine schemes of the Hong Kong Government. This has also attributed to the relatively unsatisfactory results recorded for the half year under review, as compared to those in the preceding interim period.

Moreover, as the Group's hotel properties in Hong Kong are all owned and self-operated by subsidiaries of the Company, they are subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on the Group's hotel portfolio in Hong Kong for this six-month period amounted to HK\$298.5 million (2022 – HK\$299.4 million) which, although not affecting cash flow, have nonetheless adversely impacted the reported results.

As supplementary information on the results of the Group based on its core business operations, on the basis that the fair value changes related to investment properties and financial assets and the depreciation charges, all being non-cash items, are excluded, the Group would have stated a net loss attributable to equity holders of the parent of HK\$234.4 million for the period 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, and their fair values as at 30th June, 2023, 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 statement at their independent professional market valuations as at 30th June, 2023, the underlying adjusted net asset value of the Company would amount to HK\$21.93 per share.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

Based on a recent research report by the World Bank Group, the world economy remains in a precarious state amid the protracted effects of the overlapping negative shocks of the pandemic, the war in Ukraine and the sharp tightening of monetary policy in many major economies to rein in high inflation. While inflation pressures persist, the continued monetary policy tightening is expected to weigh heavily on economic activities. After growing 3.1% last year, the global economy is projected to slow to 2.1% in 2023.

Spurred by the earlier-than-expected return to normalcy, economic activities in China bounced back in early 2023. Based on the preliminary estimates, the Gross Domestic Product (GDP) of China in the first half of 2023 was up by 5.5% year-on-year, reflecting the solid fundamentals and resilience of China's economy.

Hong Kong's economy had a mild recovery in the first half of 2023, mainly driven by a revival in local consumption and a rebound in the number of visitors from Mainland China. Hong Kong's GDP increased by 2.9% in real terms in the first quarter of 2023 year-on-year, but the growth rate has slowed down to 1.5% in the second quarter. Overall for the first six months of 2023, the pace of economic recovery in Hong Kong was slower than what was anticipated earlier.

Although the number of incoming visitors to Hong Kong has rebounded strongly since the start of 2023, it has yet to resume to its pre-pandemic level. Total visitors to Hong Kong in the first half of 2023 amounted to 12.9 million, of which 10.1 million were visitors from Mainland China, representing in both cases a year-on-year increase of over 160 times. However, these significant increases in multiple terms merely reflected the very low base figures in the comparative period in 2022 due to the pandemic restrictions. As a matter of fact, the total number of incoming visitors to Hong Kong during this interim period only represents about 37.0% of its peak level recorded in the first half of 2019.

According to the information published by the Hong Kong Tourism Board (HKTB), the average hotel room occupancy for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June was up from 63.0% in 2022 to 80.0% in 2023, while the average achieved room rate improved by 25.3%, resulting in an increment in the average Revenue per Available Room (RevPAR) of 59.1% year-on-year.

HOTEL OWNERSHIP

The Regala Skycity Hotel, the Group's second hotel at the Hong Kong International Airport, has resumed normal hotel operations since the fourth quarter of 2022, after having been operated as a quarantine hotel for most of 2022. As the number of airline flights as well as the overall business activities in the airport community are still to recover to their normal levels, the business of this hotel for the period was below earlier expectations.

The Regala Skycity Hotel has over 1,200 well decorated hotel rooms and suites, complemented with a full range of food and beverage and conference facilities catering to Meetings, Incentives, Conference and Exhibitions (MICE) businesses. Having regard to its strategic location and its direct linkage with the Asia World Expo and the Skycity complex, as well as the second airport terminal, when it is completed and becomes operational, the Group is confident that this hotel will be able to deliver strong recurring revenues when the airport and MICE businesses revive.

The Group also owns a 186-room hotel in Barcelona, Spain which has been leased to a third party for investment income.

Further details on the Regala Skycity Hotel and the hotel owned by the Group in Barcelona are contained in the section headed "Management Discussion and Analysis" in this announcement.

REGAL REAL ESTATE INVESTMENT TRUST

As at 30th June, 2023, the Group continued to hold approximately 74.9% of the total issued units of Regal REIT, while Regal Portfolio Management Limited, a wholly owned subsidiary of the Company, acts as the REIT Manager.

For the six months ended 30th June, 2023, Regal REIT recorded a consolidated profit before distribution to Unitholders of HK\$105.2 million, as compared to a profit of HK\$613.1 million for the corresponding period in 2022. Excluding the fair value changes, Regal REIT recorded a core operating loss of HK\$14.8 million for the period, which was mainly due to the substantial increase in the financial expenses incurred, as the Hong Kong Interbank Offered Rates (HIBOR), on which the borrowing costs of Regal REIT's bank loans are based, have risen rapidly since the second quarter of this year.

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 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, the other eight hotels are leased to a wholly owned subsidiary of the Company for hotel operations. The aggregate base rents payable by the Group's lessee to Regal REIT for 2023, based on the market rental reviews determined annually by the jointly appointed independent professional valuer pursuant to the terms of the respective leases, are HK\$480.0 million for the five Regal Hotels and HK\$92.0 million for the three iclub Hotels, respectively.

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and has been self-operated by Regal REIT since 2011. The net property income from this property, including the lease rentals from the non-hotel portions, for the interim period has improved substantially as compared to the corresponding period in 2022.

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.

Like the Regala Skycity Hotel, these eight hotels have all resumed normal hotel operations during the period. As mentioned before, three of the Regal Hotels, namely, the Regal Airport Hotel, the Regal Kowloon Hotel and the Regal Oriental Hotel were operating as quarantine hotels under the government quarantine scheme during the first six months of 2022 and, hence, their operating results for the two comparative periods are not directly comparable. With respect to the other two Regal Hotels, namely, the Regal Hongkong Hotel and the Regal

Riverside Hotel, they both achieved satisfactory improvements in their operating performance year-on-year, with their average RevPAR having increased at a level above the industry average. However, due to the different revenue structure when the three Regal Hotels were operating as quarantine hotels in 2022, the aggregate net operating income of the five Regal Hotels as a whole for the interim period was below the level attained in the corresponding period last year.

The other three iclub hotels, namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel are also under lease to the Group for operations. Like the three Regal Hotels, two of these iclub Hotels, namely, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel were also operating as quarantine hotels during the first half of 2022. Likewise, albeit these two iclub Hotels have operated satisfactorily during the interim period, their operating results were lower than those attained in the comparative period in 2022. As for the iclub Sheung Wan Hotel, it also managed to achieve improvement in its RevPAR year-on-year that exceeds the industry average.

HOTEL MANAGEMENT

Apart from being the hotel manager of the Regala Skycity Hotel, Regal Hotels International Limited (RHI), the wholly owned hotel management arm of the Group, is managing the five Regal Hotels and four iclub Hotels that are owned by Regal REIT. 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, the Group is presently managing a total of four Regal Hotels, including two in Shanghai, one in Dezhou and one in Xian. A new hotel under development in Chengdu will also be managed by the Group.

PROPERTIES

Following the reopening of the borders with the Mainland and benefiting from the release of the pent up demand, the property market in Hong Kong had experienced an apparent rebound during the first quarter of this year. However, due to the slower-than-expected rate of economic recovery in China and Hong Kong, the continuingly intense geopolitical tensions and, most importantly, the rapid hike in the mortgage interest rates, the rebound momentum soon subdued.

Although the aggregate number of transactions and the aggregate transacted price on the sale and purchase of private residential units in Hong Kong during the first six months of 2023 recorded an increase of about 31% and 43% over the preceding half year and an increase of about 5% and 2% year-on-year, respectively, they are only attributable to the relatively low base figures in the two comparative periods.

The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R. This development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. Up to date, a total of 20 garden houses and 53 apartment units have been sold or contracted to be sold, including the 3 garden houses and 1 apartment unit that were contracted to be sold during the first quarter of this year. In addition, a garden house has been leased out during the period with an option granted to the lessee for the purchase of the property. The remaining houses and apartment units will continue to be sold on a gradual basis.

The Queens at Queen's Road West, Hong Kong is a commercial/residential building completed in late 2022, which has a total of 130 residential units with club house facilities and commercial accommodations. Due to the changed market environment and the rising demand for serviced apartments or co-living accommodations in the area, the Group is in the course of converting some of the residential units for rental purposes. While this can generate recurring income for the development, the leased units can be disposed of with the benefits of the leases on individual or en bloc basis.

In the meanwhile, the Group is also 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, Stanley, some of which will continue to be disposed of if the prices offered are satisfactory.

In overseas, the Group 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 plans.

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 two Airbus passenger aircraft on operating leases with a major international airline operator in Europe, which are running on normal terms. One other Airbus aircraft, which was previously leased to a European airline operator, was repossessed by the Group in November 2021 due to the default of the lessee. The engines of this aircraft have now been leased to a major engines manufacturer in Europe and, in the meanwhile, ongoing negotiations are in progress for the sale of the airframe.

OUTLOOK

The Hong Kong Government is continuing to support the economy through different measures, including the distribution of consumption vouchers to boost domestic consumption. After the reopening of the borders, the Hong Kong Government is looking to deepen Hong Kong's linkages with Mainland China and to leverage its position as a key gateway between onshore and offshore investors. The Hong Kong Government has recently revised its forecast on the annual economic growth rate of Hong Kong for 2023 from 3.5% – 5.5% to 4.0% – 5.0%. Whether an economic growth at the higher end can be achieved will invariably depend on the external economic conditions. Business environment for Hong Kong for the second half of 2023 will remain very challenging.

In late July 2023, the United States Federal Reserve again raised the interest rate by 25 basis points, which was the 11th rate hike since 2022, marking the highest level of United States central bank's benchmark interest rate in the past 22 years. It is expected that due to the currency peg, the interest rates in Hong Kong might continue to stay at a relatively high level in the near term, which could have an adverse impact on the distributable income of Regal REIT.

On a brighter side, the Hong Kong Government will continue to launch different initiatives to boost the tourism industry as well as the economy of Hong Kong as a whole. Vast business opportunities exist for Hong Kong as it further integrates with the Mainland, particularly when China's economic growth accelerates. The HKTB has recently projected that the total number of incoming visitors to Hong Kong for 2023 as a whole will increase to 30 million. Though there is still a long way to catch up with the aggregate visitor arrivals of over 65 million recorded in year 2018, it is in any event a positive drive for the hotel industry in Hong Kong.

The REIT Manager will continue to work closely with the hotel manager in developing strategies to cope with the market challenges and it is expected that the property portfolio of Regal REIT will continue to yield steadily increasing rental revenues.

The operating performance of the Group's hotel operations in July and August to-date has been encouraging, with progressive improvements being achieved both in the hotels' average occupancy levels as well as average room rates.

The Group is optimistic in the recovering prospects of the tourist and hotel markets in Hong Kong and that the Group's hotel operations will continue to contribute a steady inflow of substantial revenues.

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 period, including the commentary on the business sectors in which the Group operates, the changes in the general market conditions and their potential impact on its operating performance and future prospects, is contained in the above sections headed "Financial Results", "Business Overview" and "Outlook" as well as in this sub-section.

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

A brief review on the development projects and properties of the Group (other than those owned by Regal REIT), which are all wholly owned by the Group, and those undertaken by P&R 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 this 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 has also received a number of international design awards including the Muse Design Gold Award, Build4Asia Silver Award, A'Design Silver Award and International Property Award. The hotel licence was issued in November 2021 and its grand opening 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 launched in April 2021. Due to the changed market environment and the rising demand for serviced apartments or co-living accommodations in the area, some of the residential units are being converted for rental purposes.

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

Through the judicial proceedings for the Land Compulsory Sale, the Group has consolidated 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 is presently under lease to an independent third party.

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 for 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 have been substantially completed and the applications for relevant usage permits for the building are under process. 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 businesses in this shopping mall during the period remained stable. It is anticipated that the leasing status will gradually improve following the uplifting of all the pandemic restrictions.

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

This is a project undertaken pursuant to a tender award by the Urban Renewal Authority of Hong Kong in 2014. The land has a site area of 824.9 square metres (8,879 square feet) and has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement car parks. The project was completed in 2018. All the residential units as well as certain shops and car parks have already been sold. The remaining 2 shops and 5 car parks will continue to be marketed for sale.

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

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

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\$4,299.3 million), including the 3 garden houses and 1 apartment unit that were contracted to be sold during the period under review, of which the sale transactions for 17 houses and 47 apartment units (total sale price of HK\$3,677.6 million) have been completed. Sale transactions that were completed during the period included 2 houses and 8 apartment units (total sale price of HK\$597.9 million) and the profits derived therefrom already accounted for in the results under review. In addition, a garden house has been leased out during the period with an option granted to the lessee for the purchase of the property. The lease was regarded as a finance lease and the relevant revenues have also been recognised in the results under review. The remaining 3 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 commenced 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 (5,256 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 Paliburg held through 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 now already been sold. Total proceeds from the sales of the residential units amounted to approximately RMB2,047.0 million (HK\$2,203.6 million).

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 3,965 square meters (42,679 square feet) of shops have been sold or contracted to be sold, for aggregate sale considerations of approximately RMB91.9 million (HK\$98.9 million). The sale of the 1,389 car parking spaces is continuing and, up to date, 465 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB50.6 million (HK\$54.5 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 preceding financial year.

The interior construction works of the 325-room hotel for the procurement of the Completion Certificate are in progress and expected to be completed before the end 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 proceeding steadily. 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 of the office towers are also in progress.

The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 20,000 square metres (215,200 square feet), commenced in 2021. Up to date, 192 office units with a total of about 8,300 square meters (89,341 square feet) have been presold under contracts or subscribed by prospective purchasers, for an aggregate sale consideration of RMB72.0 million (HK\$77.5 million).

The presale of the shops of about 2,650 square metres (28,550 square feet) comprised in the commercial portion of the office tower on sale has also commenced in 2022. Up to date, a total of 5 shop units of about 274 square metres (2,949 square feet) have been presold under contracts, for aggregate sale considerations of approximately RMB8.1 million (HK\$8.7 million).

The sale programme for the units in the remaining four office towers will be launched 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 two office towers and the four-storey commercial podium have been completed and the Completion Certificates obtained in March 2022. The market repositioning works for the commercial podium are in progress. In view of the prevailing market environment, launching of a new sale programme for the commercial and office units will be deferred to a later appropriate time.

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 volatility in the global capital market, the Group's performance in this business segment has been adversely affected and recorded a net loss in its financial assets investments business during the period under review.

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 condensed consolidated financial statements at market value as at 30th June, 2023, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$21.93 per share, computed as follows:

	As at 30th June, 2023	
	HK\$'M	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	10,438.9	11.61
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	9,267.7	10.32
Unaudited adjusted net assets attributable to equity holders of the parent	19,706.6	21.93

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.

Hotel and property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged to cover a part of the land cost and a major portion or the entire amount of the construction cost, with the loan maturity tied in to the estimated project completion date. Project financings for the projects in overseas are arranged, if terms are considered appropriate, to cover a part of the land costs and/or construction costs, and with the loan maturities aligning with the estimated project completion dates.

The Group's banking facilities are mostly denominated in Hong Kong dollars with interest primarily determined by reference to the 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 denominated in currencies other than US dollars and Hong Kong dollars, the Group may consider, when deemed appropriate, hedging part or all of the investment amounts into US dollars or Hong Kong dollars to contain the Group's exposure to currency fluctuations.

Cash Flows

During the period under review, there were net cash flows generated from operating activities of HK\$201.1 million (2022 – HK\$17.3 million). Net interest payment for the period amounted to HK\$366.2 million (2022 – net interest receipt of HK\$2.2 million).

Borrowings and Gearing

As at 30th June, 2023, the Group had cash and bank balances and deposits of HK\$1,653.1 million (31st December, 2022 – HK\$1,744.5 million) and the Group's borrowings,

net of cash and bank balances and deposits, amounted to HK\$14,147.7 million (31st December, 2022 – HK\$13,831.2 million).

As at 30th June, 2023, the gearing ratio of the Group was 48.0% (31st December, 2022 – 45.7%), representing the Group’s borrowings, net of cash and bank balances and deposits, of HK\$14,147.7 million (31st December, 2022 – HK\$13,831.2 million), as compared to the total assets of the Group of HK\$29,495.6 million (31st December, 2022 – HK\$30,247.8 million).

On the basis of the adjusted total assets as at 30th June, 2023 of HK\$41,314.8 million (31st December, 2022 – HK\$41,652.4 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 34.2% (31st December, 2022 – 33.2%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2023 are shown in the condensed consolidated financial statements contained in the interim report for the six months ended 30th June, 2023 of the Company (“Interim Financial Statements”) to be published on or before 30th September, 2023.

Lease Liabilities

As at 30th June, 2023, the Group had lease liabilities of HK\$23.9 million (31st December, 2022 – HK\$26.5 million).

Pledge of Assets

As at 30th June, 2023, 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, time deposits and bank balances in the total amount of HK\$20,577.0 million (31st December, 2022 – HK\$20,394.7 million) were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2023 are shown in the Interim Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2023 are shown in the Interim Financial Statements.

DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2023 (2022 – Nil).

HALF YEAR RESULTS

Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2023 (Unaudited) HK\$'M	Six months ended 30th June, 2022 (Unaudited) HK\$'M
REVENUE (Notes 2 & 3)	776.4	1,039.9
Cost of sales	(541.5)	(418.7)
Gross profit	234.9	621.2
Other income and gains (Note 3)	86.3	70.8
Fair value losses on financial assets at fair value through profit or loss, net	(259.1)	(75.3)
Fair value gains/(losses) on investment properties, net	(14.1)	3.8
Impairment loss on properties under development	(18.3)	–
Reversal of impairment loss/(Impairment loss) on investments in associates	0.2	(0.2)
Property selling and marketing expenses	(1.3)	(4.7)
Administrative expenses	(129.6)	(136.5)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION	(101.0)	479.1
Depreciation (Note 4)	(311.1)	(310.7)
OPERATING PROFIT/(LOSS) (Note 4)	(412.1)	168.4
Finance costs (Note 5)	(413.1)	(145.0)
Share of profits and losses of:		
A joint venture	(8.3)	112.9
An associate	0.3	0.3
PROFIT/(LOSS) BEFORE TAX	(833.2)	136.6
Income tax (Note 6)	10.0	(1.0)
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(823.2)	135.6

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

	Six months ended 30th June, 2023 (Unaudited) HK\$'M	Six months ended 30th June, 2022 (Unaudited) HK\$'M
Attributable to:		
Equity holders of the parent	(762.6)	138.3
Non-controlling interests	(60.6)	(2.7)
	<hr/> (823.2) <hr/>	<hr/> 135.6 <hr/>
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	HK(91.23) cents	HK9.00 cents
	<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2023 (Unaudited) HK\$'M	Six months ended 30th June, 2022 (Unaudited) HK\$'M
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(823.2)	135.6
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	13.5	(35.9)
Share of other comprehensive loss of:		
A joint venture	(24.3)	(21.2)
An associate	(0.1)	–
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(10.9)	(57.1)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of:		
A joint venture	(56.8)	(153.3)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(67.7)	(210.4)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(890.9)	(74.8)
Attributable to:		
Equity holders of the parent	(830.3)	(72.1)
Non-controlling interests	(60.6)	(2.7)
	(890.9)	(74.8)

Condensed Consolidated Statement of Financial Position

	30th June, 2023 (Unaudited) HK\$'M	31st December, 2022 (Audited) HK\$'M
NON-CURRENT ASSETS		
Property, plant and equipment	5,885.9	6,014.4
Investment properties	585.6	595.4
Right-of-use assets	12,719.8	12,857.5
Properties under development	473.9	490.8
Investments in joint ventures	3,067.8	3,122.9
Investments in associates	9.1	8.8
Financial assets at fair value through profit or loss	734.5	757.6
Other loan	357.0	357.0
Debtors and deposits (Note 9)	81.8	84.4
Deferred tax assets	47.7	47.7
Intangible assets	6.8	6.8
Total non-current assets	<u>23,969.9</u>	<u>24,343.3</u>
CURRENT ASSETS		
Properties under development	87.3	85.0
Properties held for sale	1,370.6	1,370.0
Inventories	24.8	25.6
Debtors, deposits and prepayments (Note 9)	227.8	287.8
Financial assets at amortised cost	20.0	–
Financial assets at fair value through profit or loss	1,703.7	1,932.5
Other loan	338.3	382.2
Derivative financial instruments	92.5	70.1
Tax recoverable	7.6	6.8
Restricted cash	366.7	151.6
Pledged time deposits and bank balances	161.7	163.7
Time deposits	599.8	827.4
Cash and bank balances	524.9	601.8
Total current assets	<u>5,525.7</u>	<u>5,904.5</u>

Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2023 (Unaudited) HK\$'M	31st December, 2022 (Audited) HK\$'M
CURRENT LIABILITIES		
Creditors, deposits received and accruals (Note 10)	(371.1)	(389.5)
Contract liabilities	(56.8)	(53.9)
Lease liabilities	(11.6)	(10.8)
Interest bearing bank borrowings (Note 11)	(4,232.7)	(7,354.5)
Tax payable	(25.6)	(21.6)
Total current liabilities	<u>(4,697.8)</u>	<u>(7,830.3)</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>827.9</u>	<u>(1,925.8)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>24,797.8</u>	<u>22,417.5</u>
NON-CURRENT LIABILITIES		
Creditors and deposits received (Note 10)	(113.3)	(101.6)
Lease liabilities	(12.3)	(15.7)
Interest bearing bank borrowings	(11,568.1)	(8,221.2)
Deferred tax liabilities	(669.2)	(687.6)
Total non-current liabilities	<u>(12,362.9)</u>	<u>(9,026.1)</u>
Net assets	<u>12,434.9</u>	<u>13,391.4</u>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	89.9	89.9
Reserves	10,349.0	11,236.7
	<u>10,438.9</u>	<u>11,326.6</u>
Perpetual securities	1,732.9	1,732.9
Non-controlling interests	263.1	331.9
Total equity	<u>12,434.9</u>	<u>13,391.4</u>

Notes:

1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st December, 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

The Group had a net loss attributable to owners of the parent of HK\$762.6 million (2022 – net profit of HK\$138.3 million) for the period ended 30th June, 2023 and net current assets of HK\$827.9 million (31st December, 2022 – net current liabilities of HK\$1,925.8 million) and net assets of HK\$12,434.9 million (31st December, 2022 – HK\$13,391.4 million) as at 30th June, 2023. The Group had total non-pledged time deposits, cash and bank balances of HK\$1,124.7 million (31st December, 2022 – HK\$1,429.2 million) as at 30th June, 2023. The Group also had a positive net cash flows from operating activities of HK\$201.1 million (2022 – HK\$17.3 million) for the period ended 30th June, 2023.

The condensed consolidated 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 30th June, 2023, 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 new and revised HKFRSs for the first time for the current period's condensed consolidated financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1st January, 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as

monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1st January, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position or performance of the Group upon initial application.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1st January, 2023, but are not required to disclose such information for any interim periods ending on or before 31st December, 2023. The Group has applied the amendments retrospectively. Since the Group did not fall

within the scope of the Pillar Two model rules, the amendments did not have any impact to 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 income; and
- (f) the others segment mainly comprises sale of food products, operation and management of restaurants, operation of security storage lounge, the provision of housekeeping and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

measured consistently with the Group's profit/(loss) before tax except that certain interest income, non-lease-related finance costs, head office and corporate gains and expenses are excluded from such measurement.

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

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

	Hotel operation and management and hotel ownership		Asset management		Property development and investment		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2023		Six months ended 30th June, 2022		Six months ended 30th June, 2023		Six months ended 30th June, 2022		Six months ended 30th June, 2023		Six months ended 30th June, 2022		Six months ended 30th June, 2023		Six months ended 30th June, 2022	
	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M
Segment revenue:																
Sales to external customers	717.3	989.5	-	-	5.6	5.1	7.1	9.7	13.0	12.0	33.4	23.6	-	-	776.4	1,039.9
Intersegment sales	2.2	41.9	44.3	44.4	1.3	1.2	-	-	-	-	90.7	88.3	(138.5)	(175.8)	-	-
Total	719.5	1,031.4	44.3	44.4	6.9	6.3	7.1	9.7	13.0	12.0	124.1	111.9	(138.5)	(175.8)	776.4	1,039.9
Segment results before depreciation	143.1	526.0	(6.9)	(7.3)	33.7	31.8	(247.0)	(62.2)	10.6	8.9	6.2	12.3	-	-	(60.3)	509.5
Depreciation	(304.4)	(305.3)	-	-	(2.0)	(2.0)	-	-	(3.4)	(1.8)	(1.3)	(1.6)	-	-	(311.1)	(310.7)
Segment operating results	(161.3)	220.7	(6.9)	(7.3)	31.7	29.8	(247.0)	(62.2)	7.2	7.1	4.9	10.7	-	-	(371.4)	198.8
Unallocated interest income and unallocated non-operating and corporate gains															12.5	5.4
Unallocated non-operating and corporate expenses, net															(53.5)	(36.1)
Finance costs (other than interest on lease liabilities)															(412.8)	(144.7)
Share of profits and losses of:																
A joint venture	-	-	-	-	(8.3)	112.9	-	-	-	-	-	-	-	-	(8.3)	112.9
An associate	-	-	-	-	0.3	0.3	-	-	-	-	-	-	-	-	0.3	0.3
Profit/(Loss) before tax															(833.2)	136.6
Income tax															10.0	(1.0)
Profit/(Loss) for the period before allocation between equity holders of the parent and non-controlling interests															(823.2)	135.6
Attributable to:																
Equity holders of the parent															(762.6)	138.3
Non-controlling interests															(60.6)	(2.7)
															(823.2)	135.6

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

	Six months ended 30th June, 2023	Six months ended 30th June, 2022
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Hotel operations and management services	681.2	959.4
Other operations	36.4	26.1
<i>Revenue from other sources</i>		
Rental income:		
Hotel properties	23.5	22.1
Investment properties	13.5	8.8
Aircraft	13.0	12.0
Others	1.4	1.4
Gain from sale of financial assets at fair value through profit or loss, net	–	0.8
Interest income from financial assets at fair value through profit or loss	6.7	6.2
Dividend income from listed investments	0.4	2.7
Other operations	0.3	0.4
	776.4	1,039.9

	Six months ended 30th June, 2023	Six months ended 30th June, 2022
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
<u>Other income and gains</u>		
Bank interest income	9.9	4.8
Other interest income	49.6	26.4
Dividend income from unlisted investments	4.7	0.4
Gain on disposal of unlisted investments included in financial assets at fair value through profit or loss	0.7	5.7
Compensation received in relation to refinancing of a bank loan	–	23.7
Others	21.4	9.8
	86.3	70.8

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

	Six months ended 30th June, 2023	Six months ended 30th June, 2022
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
Depreciation of property, plant and equipment	170.6	170.2
Depreciation of right-of-use assets	140.5	140.5
	311.1	310.7

5. Finance costs of the Group are as follows:

	Six months ended 30th June, 2023	Six months ended 30th June, 2022
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
Interest on bank loans	390.4	128.0
Interest on lease liabilities	0.3	0.3
Interest expenses arising from revenue contracts	–	0.1
Amortisation of debt establishment costs	20.6	18.9
Total interest expenses on financial liabilities not at fair value through profit or loss	411.3	147.3
Other loan costs	1.9	1.9
	413.2	149.2
Less: Finance costs capitalised	(0.1)	(4.2)
	413.1	145.0

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

	Six months ended 30th June, 2023	Six months ended 30th June, 2022
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
Current – Hong Kong		
Charge for the period	9.6	29.8
Overprovision in prior years	(0.8)	–
Deferred	(18.8)	(28.8)
Total tax charge/(credit) for the period	(10.0)	1.0

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2022 – 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

The share of tax attributable to a joint venture amounting to HK\$25.9 million (2022 – HK\$73.7 million) is included in “Share of profits and losses of a joint venture and associates” in the condensed consolidated statement of profit or loss.

7. Dividend:

No dividend was paid or proposed during the six months ended 30th June, 2023, nor has any dividend been proposed since the end of the reporting period (2022 – Nil).

8. The calculation of basic loss per ordinary share for the period ended 30th June, 2023 is based on the loss for the period attributable to equity holders of the parent of HK\$762.6 million (2022 – profit of HK\$138.3 million), adjusted for the distribution related to perpetual securities of HK\$57.4 million (2022 – HK\$57.4 million), and on the weighted average of 898.8 million (2022 – 898.8 million) ordinary shares of the Company in issue during the period.

No adjustment was made to the basic earnings/(loss) per ordinary share for the periods ended 30th June, 2023 and 2022 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

9. Included in debtors, deposits and prepayments is an amount of HK\$95.0 million (31st December, 2022 – HK\$119.1 million) representing the trade debtors of the Group. The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2023	31st December, 2022
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
Outstanding balances with ages:		
Within 3 months	78.3	98.6
4 to 6 months	4.8	3.8
7 to 12 months	4.7	12.9
Over 1 year	22.9	31.0
	<hr/>	<hr/>
	110.7	146.3
Impairment	(15.7)	(27.2)
	<hr/>	<hr/>
	95.0	119.1
	<hr/>	<hr/>

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

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

10. Included in creditors, deposits received and accruals is an amount of HK\$55.1 million (31st December, 2022 – HK\$38.5 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2023	31st December, 2022
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
Outstanding balances with ages:		
Within 3 months	53.7	38.2
4 to 6 months	1.3	–
Over 1 year	0.1	0.3
	<hr/> 55.1 <hr/>	<hr/> 38.5 <hr/>

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

11. Included in interest bearing bank borrowings under current liabilities is an amount of HK\$768.8 million (31st December, 2022 – HK\$1,707.9 million) which represents the outstanding balance of revolving loan facilities with remaining tenors of over 12 months.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2023.

REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2023 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditor, whose review report is contained in the Company's interim report for the six months ended 30th June, 2023 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2023, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30th June, 2023, 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, 25th August, 2023