



百利保控股有限公司

Paliburg
Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 617)



2024
INTERIM REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Jimmy Lo Chun To

(Vice Chairman and Managing Director)

Kelvin Leung So Po

Lo Po Man

Kenneth Ng Kwai Kai

Kenneth Wong Po Man

Independent Non-Executive Directors

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Winnie Ng, JP

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited

The Bank of East Asia, Limited

China Citic Bank International Limited

China Everbright Bank Co., Ltd., Hong Kong Branch

Chiyu Banking Corporation Limited

Chong Hing Bank Limited

Hang Seng Bank Limited

Hua Xia Bank Co., Limited, Hong Kong Branch

Industrial and Commercial Bank of China (Asia) Limited

Nanyang Commercial Bank, Limited

United Overseas Bank Limited, Hong Kong Branch

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited

4th Floor North, Cedar House, 41 Cedar Avenue

Hamilton HM 12, Bermuda

BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

REGISTERED OFFICE

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Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Mr. Lo Yuk Sui, aged 79; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1993 and designated as the Chief Executive Officer in 2007. Mr. Lo has been the managing director and the chairman of the predecessor listed companies of the Group since 1984 and 1986, respectively. He is also an executive director, the chairman and the chief executive officer of Century City International Holdings Limited (“CCIHL”), the ultimate listed holding company of the Company, Regal Hotels International Holdings Limited (“RHIHL”) and Cosmopolitan International Holdings Limited (“Cosmopolitan”), both listed subsidiaries of the Company, and a non-executive director and the chairman of Regal Portfolio Management Limited (“RPML”), the manager of Regal Real Estate Investment Trust (the listed subsidiary of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Ms. Lo Po Man.

Mr. Lo Chun To (Alias: Jimmy), aged 50; *Vice Chairman and Managing Director* — Appointed to the Board in 1999. Mr. Jimmy Lo has been a Vice Chairman and Managing Director of the Company since 2013. He is also an executive director and a vice chairman of CCIHL, an executive director of RHIHL, an executive director, a vice chairman and the managing director of Cosmopolitan, and a non-executive director of RPML. Mr. Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. Mr. Lo joined the Century City Group in 1998. He is primarily involved in overseeing the property projects of the Group and, in addition, undertakes responsibilities in the business development of the Century City Group. Mr. Lo is the son of Mr. Lo Yuk Sui and the brother of Ms. Lo Po Man.

Mr. Leung Po Wing, Bowen Joseph, GBS, JP, aged 74; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung is also an independent non-executive director of RPML. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing (“Beijing Office”) in November 2005. He joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is an independent non-executive director and a member of the audit committee of Quali-Smart Holdings Limited, which is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS' PROFILE (Cont'd)

Mr. Leung So Po (Alias: Kelvin), aged 52; *Executive Director* — Appointed to the Board in 2023. Mr. Kelvin Leung is also an executive director of CCIHL and RHIHL, and an executive director and the chief financial officer of Cosmopolitan. Mr. Leung has been with the Century City Group since 1997, and he is involved in the corporate finance function as well as in the China business division of the Century City Group. Mr. Leung holds a Bachelor's Degree in Business Administration and a Master of Laws Degree in Chinese Business Law both from The Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants. Mr. Leung has over 29 years of experience in accounting and corporate finance field.

Ms. Lo Po Man, aged 44; *Executive Director* — Appointed to the Board in 2007. Ms. Lo is also an executive director and a vice chairman of CCIHL, an executive director, a vice chairman and the managing director of RHIHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. Ms. Lo graduated from Duke University with a Bachelor's Degree in Psychology and The University of Hong Kong with a Master's Degree in Buddhist Studies. Ms. Lo serves as an Adjunct Professor teaching sustainable business management and impact investing at The Hong Kong University of Science and Technology and The University of Hong Kong. Ms. Lo has been officially appointed as Member of the Green Technology and Finance Development Committee, Council Member of Hong Kong University of Science and Technology, and serves on Hong Kong's Chief Executive's Policy Unit Expert Group and the Green Technology and Finance Development Committee. She chairs the UNESCAP ESNB Finance Task Force and the Asia Pacific Green Deal for Business Committee. She primarily oversees the operation of the Group's hotel business and, in addition, oversees corporate investments and business development of the Century City Group. Ms. Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Ng Kwai Kai (Alias: Kenneth), aged 70; *Executive Director* — Appointed to the Board in 1995. Mr. Kenneth Ng is also an executive director and the chief operating officer of CCIHL, an executive director of RHIHL and Cosmopolitan, and a non-executive director of RPML. Mr. Ng has been with the Group since 1985 and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary.

Ms. Winnie Ng, JP, aged 60; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2018. Ms. Ng is also an independent non-executive director of CCIHL and RHIHL. Ms. Ng holds an MBA (Master of Business Administration) from University of Chicago and an MPA (Master of Public Administration) from Harvard University. Ms. Ng has received numerous awards and recognition. In 2019, she received the Outstanding Businesswomen Award and in 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award and China Top Ten Outstanding Women Entrepreneurs. In previous years, she received recognitions as a Woman of Excellence in Hong Kong, one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, Yazhou Zhoukan Young Chinese Entrepreneur Award and was Mason Fellow of Harvard University. Active in public service, Ms. Ng is Director of Po Leung Kuk, Member of Women's Commission and Co-Convenor of Women Empowerment Fund, Director of CUHK Medical Centre, Director of HKBU Chinese Medicine Hospital, Council Member of The Education University of Hong Kong, Advisor of Our Hong Kong Foundation, and Council Member of The Better Hong Kong Foundation. She was Chairman of Hospital Governing Committee of Prince of Wales Hospital from 2014 to 2020, Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, Member of Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016, Member of Employees Retraining Board and its Course Vetting Committee Convenor, and Member of Vocational Training Council from 2011 to 2017. Ms. Ng is also a non-executive director of Transport International Holdings Limited, and she was the founder, deputy chairman and a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited). Both companies are listed on the Stock Exchange.

Mr. Shek Lai Him, Abraham (Alias: Abraham Razack), GBS, JP, aged 79; Independent Non-Executive Director — Invited to the Board as Independent Non-Executive Director in 2002. Mr. Abraham Shek is also an independent non-executive director of Cosmopolitan and RPML. Mr. Shek holds a Bachelor's Degree of Arts and a Juris Doctor Degree. Mr. Shek is an honorary member of the Court of The Hong Kong University of Science and Technology, a member of both of the Court and the Council of The University of Hong Kong, a member of the Court of City University of Hong Kong and a member of the Court of Hong Kong Metropolitan University. Mr. Shek was a member of the Legislative Council of the Hong Kong Special Administrative Region. Mr. Shek is the honorary chairman, an independent non-executive director and the chairman of the audit committee of Chuang's China Investments Limited, an independent non-executive director and the chairman of the audit committee of Chuang's Consortium International Limited, the joint vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Building Materials Technology Holdings Limited (formerly known as China Resources Cement Holdings Limited), CSI Properties Limited, Everbright Grand China Assets Limited, Far East Consortium International Limited, Hao Tian International Construction Investment Group Limited, Shin Hwa World Limited and NWS Holdings Limited, and an independent non-executive director of Alliance International Education Leasing Holdings Limited and Lai Fung Holdings Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

Mr. Wong Chi Keung, aged 69; Independent Non-Executive Director — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and RHIHL. Mr. Wong holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Chartered Governance Institute and The Chartered Institute of Management Accountants. Mr. Wong is a responsible officer for asset management and advising on securities under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as Yuexiu Property Company Limited), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard Hotel Group Limited, Asia Standard International Group Limited, Changyou Alliance Group Limited, China Ting Group Holdings Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 41 years of experience in finance, accounting and management.

Mr. Wong Po Man (Alias: Kenneth), aged 58; Executive Director — Appointed to the Board in 2007. Mr. Kenneth Wong is also an executive director and the chief operating officer of Cosmopolitan. Mr. Wong graduated from The University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor's Degree of Architecture. He also holds a Master of Science Degree in Real Estates from The University of Hong Kong. Mr. Wong is a qualified architect and has been with the Group for over 31 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am presenting herewith the Interim Report of the Company for the six months ended 30th June, 2024.

FINANCIAL RESULTS

For the six months ended 30th June, 2024, the Group incurred a consolidated loss attributable to shareholders of HK\$676.3 million, while for the corresponding period in 2023, a loss of HK\$383.1 million was recorded.

During the period under review, the Group's overall business operations continued to maintain positive results. But due to the downturn in the real estate markets in Hong Kong and Mainland China, the profit contribution from property sales during this period was substantially lower than that attained in the first six months in 2023. As regards the Group's hotel business segment, which is principally undertaken through Regal Hotels International Holdings Limited, a listed subsidiary of the Company, it has operated steadily and, despite the challenging operating environment, managed to achieve a year-on-year growth of close to 60% in its operating profit before depreciation.

For the first half of 2024, the Group's gross profit amounted to HK\$414.2 million (2023 – HK\$641.8 million) and its operating profit before depreciation, finance costs and tax (EBITDA) amounted to HK\$78.0 million (2023 – HK\$284.6 million).

However, on account of the increase in finance costs, as the level of interest rates in Hong Kong has remained at a relatively high level during the period, and the increase in the taxation charges levied on the property projects in China undertaken by Cosmopolitan International Holdings Limited, another listed subsidiary of the Company, the Company has incurred an increased consolidated loss for the six months under review.

Moreover, as the Group's hotel properties in Hong Kong are all owned and operated within the Group, they are subject to depreciation charges to conform to applicable accounting standards. Accordingly, depreciation charges in the amount of HK\$338.4 million were provided on the Group's hotel properties in Hong Kong (2023 – HK\$344.7 million) which, although not affecting the Group's cash flow, have nevertheless adversely impacted on the Group's reported results.

Supplementary information showing the adjusted net asset value of the Company of HK\$14.00 per share as at 30th June, 2024, after adjusting for the market value of the hotel properties in Hong Kong on the basis therein presented, is contained in the paragraph headed "Assets Value" in the section headed "Management Discussion and Analysis" in this Interim Report.

BUSINESS OVERVIEW

The Group comprises a total of four listed entities, with diversified business interests in properties, hotels, aircraft ownership and leasing, and financial assets and other investments.

As at 30th June, 2024, the Group directly held, through its wholly owned subsidiaries, a controlling shareholding interest of approximately 69.3% in Regal. Regal, in turn, held approximately 74.9% of the outstanding units of Regal Real Estate Investment Trust, the listed subsidiary of Regal that presently owns five Regal Hotels and four iclub Hotels in Hong Kong. Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager of Regal REIT.

The Group's property development and investment businesses in Hong Kong are principally conducted through P&R Holdings Limited, a joint venture 50/50 held by each of Regal and the Company and, effectively, a subsidiary of the Group. Regal also undertakes on its own some property projects at appropriate times.

Apart from its property business, P&R also holds an effective controlling shareholding interest in Cosmopolitan, which is primarily engaged in property business in China and other investments. As at 30th June, 2024, P&R held 57.0% of the issued ordinary share capital of Cosmopolitan and, in addition, existing convertible preference shares as well as convertible notes of Cosmopolitan which are convertible into an aggregate of 1,272.1 million new ordinary shares of Cosmopolitan. Moreover, the Company and Regal also hold, through their respective wholly owned subsidiaries, ordinary shares and convertible notes of Cosmopolitan.

Further information on the latest progress of the Group's property business as well as the financial results and operation reviews of Regal (including Regal REIT) and Cosmopolitan are presented below.

PROPERTIES

The market rebound following the scrapping of the property cooling measures by the Hong Kong Government in late February this year was relatively short-lived. The high interest rates environment, the large amount of unsold inventories pending divesture by real estate developers and the growing weakness in market confidence continued to weigh on the property sector in Hong Kong, exerting pressure on both property prices and transaction volume, particularly in the secondary market. Luxury residential properties have been one of the more resilient segments under these sluggish market conditions, mainly benefiting from the relatively limited supply and the increased demand generated from the relaxation by the Hong Kong Government of the immigration and talent admission schemes.

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. Apart from those units that have been sold or contracted to be sold, P&R still holds a total of 4 houses (including the one house that was leased with an option to the lessee to purchase) and 81 apartment units in Mount Regalia, which command significant value. P&R is closely monitoring any changes in the market environment in conjunction with its planned disposal of these remaining units.

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.

CHAIRMAN'S STATEMENT (Cont'd)

Properties being held by P&R for recurring and operating income include the We Go MALL in Ma On Shan, Sha Tin, the iclub Mong Kok Hotel, and the iclub AMTD Sheung Wan Hotel that is held by a 50%-owned joint venture of P&R.

On the property development front, P&R owns a commercial/residential project at Kam Wah Street in Shau Kei Wan as well as another composite commercial/residential redevelopment at Castle Peak Road, for which the Land Compulsory Sale process through the Lands Tribunal has recently been concluded. In addition, P&R also owns 7 retained houses in Casa Regalia in Yuen Long and some remaining shop units and carparks in the Ascent in Sham Shui Po, both being property developments completed by P&R in earlier years, which will continue to be disposed of.

Additional information on the Group's property development projects and properties, including those undertaken by P&R and Regal as well as the projects in the People's Republic of China that are undertaken through Cosmopolitan, are contained in the section headed "Management Discussion and Analysis" in this Interim Report.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2024, Regal incurred a consolidated loss attributable to shareholders of HK\$1,599.2 million, while for the corresponding period in 2023, a loss of HK\$762.6 million was recorded.

During the period under review, the hotel business of Regal in Hong Kong continued to operate steadily, with the profit contribution from its hotel business segment (before depreciation) having grown by more than 60% over the comparative period in 2023. Overall gross profit from operations of the Regal group during this 6-month period amounted to HK\$311.0 million, representing a year-on-year increase of 32.4%.

However, due to the substantial outlay in its finance costs on account of the relatively high level of interest rates still sustaining during the period, and the fair value loss on its investment holdings in Cosmopolitan, as well as the depreciation charges on its hotel properties, the Regal group recorded an increased loss in the first six months of 2024, as compared with the preceding comparative period.

As mentioned before, the Regal group has held significant investments in Cosmopolitan since 2015 as part of its core strategic asset portfolio. These investment holdings in Cosmopolitan have all along been held by the Regal group as financial assets at fair value through profit or loss and, hence, the changes in their fair values were reflected in its statements of profit or loss. Due to the decline in the market price of the Cosmopolitan shares, as compared to that prevailing as at 31st December, 2023, a fair value loss of HK\$874.1 million in respect of its investment holdings in Cosmopolitan was included in the results of the Regal group under review.

Moreover, as the Regal group's hotel properties in Hong Kong are all owned and operated by subsidiaries of Regal, they are required to be subject to depreciation to conform to the applicable accounting standards. For the period under review, total depreciation charges on its hotel portfolio in Hong Kong amounted to HK\$291.3 million.

Although the fair value loss on its investment holdings in Cosmopolitan as well as the depreciation charges on its hotel properties have no immediate impact on cash flow, they have nevertheless adversely impacted the Regal group's financial results for the period under review.

BUSINESS OVERVIEW**HOTELS****MARKET OVERVIEW**

According to a recent report released by the World Bank Group, the global economy is stabilising and, despite elevated financing costs and heightened geopolitical tensions, is projected to hold a steady growth of 2.6% this year. Based on preliminary estimates, the Gross Domestic Product (GDP) of China in the first half of 2024 was up by 5.0% year-on-year, with steady progress made in transformation and upgrading. However, faced with a complex external environment, the domestic consumption demand in China remains insufficient and the foundation for a sound economic recovery still needs to be strengthened. The Hong Kong economy continued to record moderate growth in the second quarter of 2024, with its real GDP having grown by 3.3% over the same quarter a year earlier, but its private consumption expenditure has turned to a slight decline.

Total visitors to Hong Kong in the first half of 2024 amounted to 21.2 million, representing an increase of 64.2% year-on-year, of which 16.1 million were visitors from Mainland China. Among all visitor arrivals, 49.8% were overnight visitors, with an average length of stay of 3.2 nights. Apart from the strong growth in Mainland visitors, there were also visible increases in the number of visitors from the traditional long haul, short haul as well as other new markets, as compared to the year before. However, despite these improvements, the number of total incoming visitors to Hong Kong during this period only represents about 60.7% of the peak level recorded in the first half of 2019. Therefore, more promotional efforts will be required from the Hong Kong Government and the tourism industry as a whole to restore full recovery.

According to the information published by the Hong Kong Tourism Board, the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June was up from 80.0% in 2023 to 83.0% in 2024, while the average achieved room rate improved by 5.3%, resulting in an increment in the average Revenue per Available Room (RevPAR) of 9.2% year-on-year.

HOTEL OWNERSHIP

The Regal group owns and operates the Regala Skycity Hotel at the Hong Kong International Airport. This 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 Meeting, Incentives, Conference and Exhibitions (MICE) businesses, with direct linkage to the Asia World Expo and the 11 Skies compound, as well as the second airport terminal soon to be completed.

This hotel attained in the half year under review an average occupancy of 55.1%, while its average RevPAR and net property income have increased by 50.3% and 87.8%, respectively, as compared with the same period in 2023. The business of this hotel is, to a large extent, dependent on the level of activities at the airport area. As the number of international flights and the number of long-haul visitors to Hong Kong are still to resume to previous normal levels, the operating results achieved by this hotel during the period still fall short of earlier projections.

However, given the large number of mega events that have been scheduled to be staged in Hong Kong in the second half of this year and beyond, the Regal group is confident that the Regala Skycity Hotel, which is well-equipped and positioned for the MICE market, will be able to contribute increasingly satisfactory revenues.

The Regal group also owns a 186-room hotel in Barcelona, Spain which has been leased to a third-party operator and is generating steady rental income.

REGAL REAL ESTATE INVESTMENT TRUST

For the six months ended 30th June, 2024, Regal REIT recorded an unaudited consolidated loss before distribution to Unitholders of HK\$19.8 million, as compared to a profit of HK\$105.2 million for the corresponding period in 2023. If the fair value gain of HK\$16.5 million on its investment property portfolio is excluded, Regal REIT would record a core operating loss for the interim period of HK\$36.3 million, which was mainly attributable to the increased financial expenses incurred.

Apart from the Regala Skycity Hotel, all the other nine hotels of the Regal group are owned through Regal REIT. These nine hotels include five Regal Hotels and four other hotels 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 for hotel operations. The operating highlights of these eight leased hotels are included in the sub-section headed "Hotel Operations" below.

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and has been operated by Regal REIT itself since 2011. The net property income for the interim period from this property, including the lease rentals from the non-hotel portions, has improved by 11.2% as compared to the same period in 2023.

HOTEL OPERATIONS

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

Due to the changes in the consumption patterns of the visitors from Mainland China, the impact of a relatively strong Hong Kong dollar as well as the shortage in the supply of service labour, the operating environment of the hospitality industry in Hong Kong during the period has been competitive and challenging.

The combined average occupancy of the five Regal Hotels in Hong Kong, which operate as full-service hotels under the "Regal" brand name, during the period was 65.6%, as compared to 66.8% for the same period last year. However, their combined average room rate has managed to increase by 12.4% and, consequently, there is an improvement in their combined average RevPAR of 10.4% year-on-year. Aggregate net property income for these five hotels for the half year under review amounted to HK\$164.9 million, which was 21.1% above the comparative amount of HK\$136.2 million attained in 2023. The pro-rated aggregate base rent for the period paid by Regal to Regal REIT for the leasing of these hotels, based on the market rental packages determined by an independent professional property valuer, amounted to HK\$272.0 million.

For the six months ended 30th June, 2024, the other three iclub hotels, namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel, which are also under lease from Regal REIT, recorded a combined average occupancy level of 80.7%, as compared to 86.4% in the corresponding period last year. As their combined average room rate has however increased by 14.2%, their combined average RevPAR has consequently improved by 6.7% year-on-year. The aggregate net property income of these three iclub Hotels for the interim period amounted to HK\$41.3 million, representing an increase of 15.4% year-on-year, although it is still below their pro-rated aggregate base rent of HK\$59.0 million.

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 Regal group. RHI is also the hotel manager managing the iclub Mong Kok Hotel and the iclub AMTD Sheung Wan Hotel.

In Mainland China, RHI is presently managing a total of four Regal Hotels, including two in Shanghai, one in Dezhou and one in Xi'an. One new hotel under development in Chengdu will also be managed by the Regal group upon its completion.

PROPERTIES

Apart from its 50% joint venture interest held in P&R, the Regal group itself owns a portfolio of investment and development properties.

With respect to the property development business undertaken by the Regal group itself, The Queens at Queen's Road West is a commercial/residential development that was completed in late 2022. It has a total of 130 residential units with club house and commercial accommodations, of which 7 residential units have been sold. While some of the residential units have been leased on short tenure, the Regal group is devising plans for the sale of the unsold residential and commercial units, either on individual units or en bloc basis. The other development project undertaken by the Regal group in Hong Kong is also a commercial/residential redevelopment, located at Hai Tan Street in Sham Shui Po.

As at the last year end date, the Regal group held a total of 9 garden houses in Regalia Bay in Stanley, which was a luxury residential development that was jointly developed by the Regal group under a joint venture in earlier years. One of the garden houses was contracted to be sold at satisfactory price in March this year and the sale subsequently completed in July. The Regal group will continue to dispose of some of these remaining houses if the price offered is favourable.

In overseas, the Regal group also owns a renovation-for-sale project in Lisbon, Portugal and a historical building situated at a prime location in London, the United Kingdom.

AIRCRAFT OWNERSHIP AND LEASING

The Regal group has concluded in April this year the disposal of the two Airbus aircraft, which were under lease to an international airline operator, for a total consideration of US\$44.5 million and the profit derived therefrom already reflected in the results under review. Further details on this transaction are contained in the joint announcement published by the Company on 26th April, 2024.

The Regal group still owns two aircraft engines which are presently on lease to a major European engines manufacturer. The Regal group has recently entered into a letter of intent for the proposed sale of these two engines and a definitive sale and purchase agreement is being finalised with the prospective third party purchaser. Further details on this proposed disposal will be announced when the requisite agreement is executed by the parties.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2024, Cosmopolitan incurred a consolidated loss attributable to shareholders of HK\$169.0 million, as compared to a loss of HK\$98.3 million recorded in the corresponding period in 2023.

The increased loss incurred for the period under review was mainly attributable to the taxation charges levied on its property projects in China on account of the revisions in the basis of allocation of project development costs that were adopted in prior years. On the other hand, due to the sluggish environment in the real estate market in China, the profit contribution from the sale of units in its two development projects in Tianjin and Chengdu was relatively modest.

BUSINESS OVERVIEW

Despite the series of easing policy and fiscal measures promulgated by the Central Government to help resolve the liquidity problems faced by the real estate developers and to support the housing demands, the performance of the real estate market in China during the period under review remained weak. Overall volume of sales of commodity properties in the primary market nationwide continued to contract year-on-year, particularly with respect to the commercial and retail segments.

Virtually all of the residential units in the Cosmopolitan group's Regal Cosmopolitan City development in Chengdu have been disposed of. The remaining components mainly consist of a commercial complex (including a six-storey shopping mall podium), five towers of office accommodation and a hotel building, the development works for which are proceeding as planned. The sale of the office and shop units comprised in one of the office towers was ongoing but the progress achieved so far was slow due to the slackened demand.

The other major development project of the Cosmopolitan group in China is the Regal Renaissance development in Tianjin. Apart from the few units the sale transactions for which were scheduled for completion in 2024, all the other residential units in this development have also been sold in prior years. The remaining components in this development mainly comprise a commercial complex and two office towers atop of a four-storey podium, which have all been completed. The programme for the sale of the shop units in the commercial complex was continuing and a number of shop units have been disposed of during the period under review. In the meantime, the Cosmopolitan group is closely monitoring the market environment in Tianjin in formulating an appropriate marketing plan for the disposal of the units in the office towers.

OUTLOOK

REGAL GROUP

With the continuous support from the Central Government, the Individual Visit Scheme (IVS) was expanded in March this year by adding Xi'an and Qingdao. In 2 months' time, the IVS was further extended in May 2024 to residents from eight other cities in the Mainland, which now covers a total of 59 cities, including all provincial capitals in China. In addition, effective from August this year, the duty-free allowance for luggage articles brought into China from Hong Kong by visitors who are Mainland residents has been increased from the previous level of RMB5,000 to RMB12,000. All these supportive initiatives will substantially benefit the tourist industry in Hong Kong by increasing the demands in the local hotel, retail and catering sectors.

One of the key goals of the Hong Kong Government this year is to leverage on the convening of major events to reinforce Hong Kong's diversified tourism. It was announced that there would be over one hundred mega events to take place in Hong Kong in the second half of this year, spanning a variety of theme areas, including conventions and exhibitions, finance and technology, cultural, arts, festivals and other related events. It is anticipated that these mega events will attract a large number of visitors to Hong Kong from this high-spending market segment, which will contribute significant economic value to the local economy.

The Hong Kong Government expects that the economy in Hong Kong will see further growth in the second half of this year and is maintaining a growth forecast in the range of 2.5% to 3.5% for the whole year. Though the United States Federal Reserve has yet to initiate the process of interest rate cuts, it is now widely forecasted that reductions in the interest rates in the United States will begin this coming September. In any event, in order to hedge against any unexpected reversionary movements in the interest rates, Regal REIT has entered into several interest rate swap transactions in early February and July 2024 to swap the interest expenses on part of its outstanding bank loans from floating rates to fixed rates, as they can serve to reduce the financial expenses of Regal REIT in the near term.

Although Regal REIT has reported an adjusted loss for this interim period, given the steady income stream generated by its hotel portfolio under the current leasing structure, the directors of the REIT Manager are hopeful that, as the interest rates in Hong Kong return to normal levels, Regal REIT will be able to regain positive performance in its core operating results.

The directors of Regal believe in the resilience of Hong Kong's economy and that Hong Kong will be able to regain growth momentum when the level of interest rates starts to come down and the impacts of other unfavourable factors gradually subdued. In the meantime, the Regal group is actively continuing with the planned disposal of some of its non-core assets, with a view to reinforcing its liquidity resources and financial strength.

COSMOPOLITAN GROUP

Faced with a challenging and complex macro environment, the Central Government has recently reiterated the need to accomplish the target set for the economic growth of China in 2024. It is, therefore, expected that more supportive policy and fiscal measures will be rolled out to boost the domestic consumption demand as well as to further stabilise the property sector in Mainland China.

Following the relaxation of the purchase restrictions, the property markets in Chengdu and Tianjin, along with certain other first-tier and major cities, have begun to show signs of gradual recovery in the past few months. The directors of Cosmopolitan remain hopeful that the two development projects in Chengdu and Tianjin will be able to generate for the Cosmopolitan group substantial revenues in the coming years.

CHAIRMAN'S STATEMENT (Cont'd)

PALIBURG GROUP

The economic environments in Hong Kong and globally are becoming increasingly volatile. The Directors are closely monitoring changes in the overall market conditions, particularly with respect to the property sectors in Hong Kong and Mainland China, with a view to formulating and implementing plans to strengthen the Group's financial position through the sale or monetisation of some of the Group's assets.

LO YUK SUI

Chairman

Hong Kong
28th August, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management, aircraft ownership and leasing and other investments including financial assets investments.

The significant investments and business interests of Regal Hotels International Holdings Limited ("RHIHL"), the principal listed subsidiary of the Group, comprise hotel ownership business, which is principally undertaken through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("P&R"), aircraft ownership and leasing and other investment businesses.

Cosmopolitan International Holdings Limited ("Cosmopolitan") is a listed subsidiary of the Group held through P&R. The principal business activities of the Cosmopolitan group comprise property development and investment, which are mainly focused in the People's Republic of China (the "PRC"), and other investments including financial assets investments.

The performance of the Group's property, construction and building related and other investment businesses, and those of the principal businesses of RHIHL, Regal REIT and Cosmopolitan 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 the Group's operating performance and future prospects, is contained in the preceding Chairman's Statement and in this Management Discussion and Analysis.

The Group has no immediate plans for material investments or capital assets, other than those disclosed in the sections headed "Business Overview" and "Outlook" in the preceding Chairman's Statement, and in this section.

P&R HOLDINGS LIMITED

P&R is a 50/50 owned joint venture established with RHIHL, with capital contributions provided by the Company and RHIHL on a pro-rata basis in accordance with their respective shareholdings. As the Company owns a controlling shareholding interest in RHIHL, P&R is, effectively, a subsidiary of the Company. 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 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. One house was contracted to be sold in July 2024 and the sale transaction recently completed in August. 7 houses in Casa Regalia are still being retained and will continue to be disposed of.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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 steady during the period.

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

This is a project undertaken pursuant to a tender award from 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 disposed of. The remaining 2 shops and 5 car parks will continue to be sold.

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 date, a total of 20 garden houses and 55 apartment units have been sold or contracted to be sold for a total sale price of HK\$4,356.0 million, including 2 apartment units that were contracted to be sold in 2024, of which the sale transactions for 18 houses and 49 apartment units with total sale price of HK\$3,870.7 million have been completed. Sale transactions completed during this interim period included 1 house and 1 apartment unit (total sale price of HK\$141.1 million) and the profits derived therefrom accounted for in the results under review. Apart from those that have been sold or contracted to be sold, the remaining 4 houses (including the house that was leased with an option to the lessee to purchase) and 81 apartment units command significant value. P&R is closely monitoring any changes in the market environment in conjunction with their planned disposals.

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

This is a hotel development project undertaken through a tender award from 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 RHIHL 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 RHIHL 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 92% 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 (5,257 square feet) and are intended for a composite commercial/residential redevelopment. The process for Land Compulsory Sale through the Lands Tribunal to consolidate 100% ownership interests in the relevant properties has recently been concluded.

Certain parts 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.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

RHIHL is a listed subsidiary of the Company. Further information relating to the property projects undertaken and the principal properties owned by RHIHL group (other than those owned by Regal REIT), which are all wholly owned by RHIHL, is set out below:

Hong Kong

Regala Skycity Hotel, the Hong Kong International Airport

In February 2017, a wholly owned subsidiary of RHIHL secured the award from the Airport Authority in Hong Kong of the development right for this new hotel project at the Hong Kong International Airport.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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 the SkyPier Terminal. The hotel project is the first phase of the mega SKYCITY Project of 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 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 the hotel grand opened 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 building with gross floor area of about 5,826 square metres (62,711 square feet). The building 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 was obtained in August 2022.

7 residential units were sold on the first launch of units sale in April 2021. While some of the residential units have been leased on short tenure, plans are being devised for the sale of the unsold residential and commercial units, either on individual units or en bloc basis.

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

100% ownership interests in the subject redevelopment properties have been acquired through the judicial proceedings for Land Compulsory Sale. The project has a total site area of 431 square metres (4,644 square feet) and is intended for a commercial/residential development with gross floor area of about 3,691 square metres (39,733 square feet). Development works are planned to commence after the process for the recovery of vacant possession of 1 remaining unit is completed.

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

During the period under review, an agreement was entered into for the sale of a garden house in Regalia Bay for a consideration of HK\$105 million, which transaction has subsequently been completed in July. The RHIHL group still retains 8 garden houses with total gross area of about 3,719 square metres (40,028 square feet), some of which will continue to be disposed of if the price offered is favourable.

Overseas

Campus La Mola, Barcelona, Spain

This hotel property has a total of 186 guestrooms and was acquired by the RHIHL group in 2014. The hotel is presently under lease to an independent third party, which is generating steady rental income.

41 Kingsway, London WC2B 6TP, the United Kingdom

This is a freehold historical building located at a prime location in London, acquired by the RHIHL group in 2019. 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 are under study with the aim to optimising the intrinsic value of this unique property. In the meantime, the RHIHL group may also consider the possible disposal of this property if a satisfactory price is offered.

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 RHIHL 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 completed and the relevant usage permits were obtained in August 2024. The apartment units and shops are intended to be marketed for sale.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan is a listed subsidiary of the Group 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).

All the residential units in the third stage have been sold in prior years. Total proceeds from the sales of the residential units amounted to approximately RMB2,048.3 million (HK\$2,243.1 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 4,002 square metres (43,078 square feet) of shops have been sold or contracted to be sold, for aggregate sale considerations of approximately RMB93.2 million (HK\$102.1 million). The sale of the 1,389 car parking spaces is continuing and, up to date, 470 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB51.2 million (HK\$56.1 million). Most of these sale transactions have already been completed and the revenues accounted for in prior financial years.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

The interior construction works of the 325-room hotel have been completed and the Completion Certificate obtained in January 2024. The interior fitting-out works for the guestrooms and the podium based on the revised design scheme are being planned 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 also within the third stage of 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 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, 297 office units with a total of about 13,241 square metres (142,526 square feet) have been sold under contracts or subscribed by prospective purchasers, for an aggregate sale consideration of RMB113.9 million (HK\$124.7 million). Meanwhile, the presale of another office tower has been approved, but the timing for the launching of the presale programme will depend on the property market environment in Chengdu.

The sale 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 contracted for sale, for aggregate sale considerations of approximately RMB8.1 million (HK\$8.9 million).

Overall, due to the slackened demand, the progress achieved so far on the sale of these office and shop units was relatively slow.

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).

Apart from the few units the sale transactions for which were scheduled for completion in 2024, all the other residential units in this development have also been sold in prior years. The programme for the sale of shops with a total area of about 19,000 square metres (205,000 square feet) in the commercial complex was ongoing. During the period under review, shops with a total area of 9,744 square metres (104,884 square feet) have been sold for aggregate sale considerations of approximately RMB185.4 million (HK\$200.6 million). Certain parts of the commercial complex have been leased out for rental income.

The remaining components in this development, which have all been completed, mainly consist of two office towers atop of a four-storey podium. The Cosmopolitan group is closely monitoring the market environment in Tianjin in formulating an appropriate marketing plan for the disposal of the units in the office towers.

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 of the required re-forestation area, land grant listing and tender procedures are completed.

The Cosmopolitan group continues to maintain the overall re-forested area. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan group in the relevant re-forestation contract remain valid and effective.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

The Group's wholly owned construction arm, Chatwin Engineering Limited, was the main contractor for the construction of P&R's residential project at Domus and Casa Regalia as well as its other hotel projects in Hong Kong, namely, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel, iclub To Kwa Wan Hotel and iclub Mong Kok Hotel, all completed in the years between 2014 and 2019. Chatwin was also responsible for the construction management of the Mount Regalia project and the Regala Skycity Hotel project completed in 2019 and 2021 respectively. Chatwin will continue to seek public construction contracts while providing in-house services to the Group's construction projects including construction management, health and safety as well as quality assurance and compliance.

With its extensive experience and professional expertise, the Group's development consultancy division played a key role, throughout the years, in supporting the in-house needs of the Group's member companies on development projects, from project inception stage, feasibility studies to project completion. These professional services include development appraisal, project management, architectural, interior design as well as quality control and cost engineering.

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 weakness in the local stock 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

All the hotel properties of the Group 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 7th May, 2012 when RHIHL, together with Regal REIT, became subsidiaries of the Group, plus subsequent capital additions and deducting accumulated depreciation. 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 cost after full elimination of the unrealised gain arising from the disposal of the hotels by P&R to Regal REIT, while the iclub Mong Kok Hotel owned by P&R and the Regala Skycity Hotel owned by the RHIHL group, completed in 2019 and 2021 respectively, are stated at cost, and they are all also subject to depreciation. For the purpose of providing supplementary information, if the entire hotel property portfolio of the Group in Hong Kong is restated in the condensed consolidated financial statements at market value as at 30th June, 2024, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$14.00 per share, computed as follows:

	As at 30th June, 2024	
	HK\$'million	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	9,508.5	8.53
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	<u>6,092.7</u>	<u>5.47</u>
Unaudited adjusted net assets attributable to equity holders of the parent	<u><u>15,601.2</u></u>	<u><u>14.00</u></u>

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.

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Property development projects in the PRC are substantially financed by internal resources and proceeds from the presale of the units. Project financings for the projects in the PRC and 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 investments in the PRC and overseas, 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

Net cash flows generated from operating activities during the period under review amounted to HK\$21.0 million (2023 - HK\$368.1 million). Net interest payment for the period amounted to HK\$593.5 million (2023 - HK\$471.1 million).

Borrowings and Gearing

As at 30th June, 2024, the Group had cash and bank balances and deposits of HK\$1,623.2 million (31st December, 2023 - HK\$2,180.5 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$18,287.4 million (31st December, 2023 - HK\$17,937.9 million).

As at 30th June, 2024, the gearing ratio of the Group was 48.1% (31st December, 2023 - 45.0%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK\$18,287.4 million (31st December, 2023 - HK\$17,937.9 million), as compared to the total assets of the Group of HK\$37,992.3 million (31st December, 2023 - HK\$39,824.5 million).

On the basis of the adjusted total assets as at 30th June, 2024 of HK\$48,875.5 million (31st December, 2023 - HK\$50,588.1 million) with the hotel portfolio owned by the Group in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 37.4% (31st December, 2023 - 35.5%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2024 are shown in notes 11 and 12 to the condensed consolidated financial statements.

Lease Liabilities

As at 30th June, 2024, the Group had lease liabilities of HK\$12.9 million (31st December, 2023 - HK\$19.7 million).

Pledge of Assets

As at 30th June, 2024, certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$29,891.1 million (31st December, 2023 - HK\$30,373.0 million) were pledged to secure general 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. In addition, as at 30th June, 2024, certain ordinary shares in a listed subsidiary with a market value of HK\$248.3 million (31st December, 2023 - HK\$251.8 million) were also pledged to secure general banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2024 are shown in note 17 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2024 are shown in note 16 to the condensed consolidated financial statements.

Share Capital

During the period under review, there was no change in the share capital of the Company.

DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2024 (2023 - Nil).

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 19 to the condensed consolidated financial statements.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

During the period under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

STAFF AND REMUNERATION POLICY

The Group employs approximately 1,640 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30th June, 2024 (Unaudited)	Six months ended 30th June, 2023 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2, 3	1,392.0	1,602.0
Cost of sales		<u>(977.8)</u>	<u>(960.2)</u>
Gross profit		414.2	641.8
Other income and gains	3	112.2	39.0
Fair value losses on investment properties, net		<u>(101.7)</u>	<u>(15.1)</u>
Fair value losses on financial assets at fair value through profit or loss, net		<u>(70.5)</u>	<u>(47.9)</u>
Loss on disposal of investment properties		–	(1.0)
Impairment loss on properties under development		<u>(41.8)</u>	<u>(18.3)</u>
Impairment loss on properties held for sale		<u>(1.1)</u>	<u>(13.2)</u>
Reversal of impairment loss/(Impairment loss) on investment in associates		<u>(0.3)</u>	<u>0.2</u>
Property selling and marketing expenses		<u>(24.7)</u>	<u>(97.1)</u>
Administrative expenses		<u>(208.3)</u>	<u>(203.8)</u>
OPERATING PROFIT BEFORE DEPRECIATION		78.0	284.6
Depreciation	4	<u>(356.6)</u>	<u>(363.9)</u>
OPERATING LOSS		<u>(278.6)</u>	<u>(79.3)</u>
Finance costs	5	<u>(651.9)</u>	<u>(523.0)</u>
Share of profits and losses of associates		<u>(3.0)</u>	<u>(7.8)</u>
LOSS BEFORE TAX	4	<u>(933.5)</u>	<u>(610.1)</u>
Income tax	6	<u>(87.8)</u>	<u>(36.4)</u>
LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		<u><u>(1,021.3)</u></u>	<u><u>(646.5)</u></u>
Attributable to:			
Equity holders of the parent		<u>(676.3)</u>	<u>(383.1)</u>
Non-controlling interests		<u>(345.0)</u>	<u>(263.4)</u>
		<u><u>(1,021.3)</u></u>	<u><u>(646.5)</u></u>
LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u><u>HK (64.23) cents</u></u>	<u><u>HK (37.94) cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June, 2024 (Unaudited)	Six months ended 30th June, 2023 (Unaudited)
	HK\$'million	HK\$'million
LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(1,021.3)	(646.5)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Changes in fair value of cash flow hedges	10.5	–
Transfer from hedging reserve to profit or loss	(3.9)	–
	6.6	–
Exchange differences on translation of foreign operations	(61.6)	(65.1)
Share of other comprehensive loss of an associate	–	(0.1)
	(55.0)	(65.2)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets designated at fair value through other comprehensive income	2.7	(106.0)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(52.3)	(171.2)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(1,073.6)	(817.7)
Attributable to:		
Equity holders of the parent	(711.6)	(516.3)
Non-controlling interests	(362.0)	(301.4)
	(1,073.6)	(817.7)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30th June, 2024 (Unaudited)	31st December, 2023 (Restated)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		5,955.3	6,361.4
Investment properties		3,746.4	3,868.8
Right-of-use assets		15,201.3	15,374.2
Properties under development		879.7	892.0
Investments in associates		398.1	401.3
Financial assets designated at fair value through other comprehensive income		6.7	28.1
Financial assets at fair value through profit or loss		533.1	592.9
Derivative financial instruments		7.1	–
Loans receivable		160.0	163.4
Finance lease receivable		93.7	101.7
Debtors, deposits and prepayments	9	290.4	286.5
Deferred tax assets		47.7	47.7
Trademark		610.2	610.2
Other intangible asset		3.6	3.6
Total non-current assets		<u>27,933.3</u>	<u>28,731.8</u>
CURRENT ASSETS			
Properties under development		2,127.8	2,437.4
Properties held for sale		5,528.1	5,635.8
Inventories		59.6	55.4
Loans receivable		33.3	32.7
Finance lease receivable		5.5	5.4
Debtors, deposits and prepayments	9	369.9	426.5
Financial assets at fair value through profit or loss		208.5	221.5
Derivative financial instruments		94.8	93.9
Tax recoverable		8.3	3.6
Restricted cash		593.8	577.2
Pledged time deposits and bank balances		239.6	212.4
Time deposits		319.8	567.2
Cash and bank balances		470.0	823.7
Total current assets		<u>10,059.0</u>	<u>11,092.7</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		30th June, 2024 (Unaudited)	31st December, 2023 (Restated)
	Notes	HK\$'million	HK\$'million
CURRENT LIABILITIES			
Creditors and accruals	10	(746.9)	(934.5)
Contract liabilities		(193.8)	(484.3)
Lease liabilities		(9.8)	(12.5)
Deposits received		(147.8)	(151.1)
Interest bearing bank borrowings	11	(2,537.4)	(4,928.2)
Tax payable		(469.4)	(449.8)
Total current liabilities		<u>(4,105.1)</u>	<u>(6,960.4)</u>
NET CURRENT ASSETS		<u>5,953.9</u>	<u>4,132.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>33,887.2</u>	<u>32,864.1</u>
NON-CURRENT LIABILITIES			
Creditors and deposits received		(90.2)	(90.1)
Lease liabilities		(3.1)	(7.2)
Interest bearing bank borrowings	11	(16,905.2)	(14,722.2)
Other borrowings	12	(468.0)	(468.0)
Deferred tax liabilities		(1,436.6)	(1,445.9)
Total non-current liabilities		<u>(18,903.1)</u>	<u>(16,733.4)</u>
Net assets		<u>14,984.1</u>	<u>16,130.7</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		111.4	111.4
Reserves		9,397.1	10,157.2
		<u>9,508.5</u>	<u>10,268.6</u>
Perpetual securities		1,732.9	1,732.9
Non-controlling interests		3,742.7	4,129.2
Total equity		<u>14,984.1</u>	<u>16,130.7</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2024

	Attributable to equity holders of the parent												
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Hedging reserve (Unaudited)	Property revaluation reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)	Perpetual securities (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1st January, 2024	111.4	1,356.1	4.3	3,109.8	689.6	-	7.0	(139.9)	5,882.6	10,268.6	1,732.9	4,129.2	16,130.7
Loss for the period	-	-	-	-	-	-	-	-	(676.3)	(676.3)	-	(345.0)	(1,021.3)
Other comprehensive income/(loss) for the period:													
Changes in fair value of financial assets designated at fair value through other comprehensive income	-	-	-	-	-	1.5	-	-	-	1.5	-	1.2	2.7
Cash flow hedges	-	-	-	-	-	3.4	-	-	-	3.4	-	3.2	6.6
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(40.2)	-	(40.2)	-	(21.4)	(61.6)
Total comprehensive income/(loss) for the period	-	-	-	-	-	3.4	1.5	(40.2)	(676.3)	(711.6)	-	(362.0)	(1,073.6)
Acquisition of non-controlling interests in a listed subsidiary	-	-	-	(8.9)	-	-	-	-	-	(8.9)	-	(6.9)	(15.8)
Transfer of fair value reserve upon the disposal of financial assets designated at fair value through other comprehensive income	-	-	-	-	-	-	528.6	-	(528.6)	-	-	-	-
Distribution to holders of perpetual securities	-	-	-	-	-	-	-	-	(39.6)	(39.6)	-	(17.6)	(57.2)
At 30th June, 2024	111.4	1,356.1	4.3	3,100.9	689.6	3.4	(22.2)	(180.1)	4,638.1	9,508.5	1,732.9	3,742.7	14,984.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

For the six months ended 30th June, 2024

	Attributable to equity holders of the parent												
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Fair value reserve of financial assets through other comprehensive income (Unaudited)	Property revaluation reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)	Perpetual securities (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1st January, 2023	111.4	1,356.1	4.3	3,147.6	689.6	(1,059.8)	5.5	(115.3)	7,625.7	11,765.1	1,732.9	4,897.7	18,395.7
Loss for the period	-	-	-	-	-	-	-	-	(383.1)	(383.1)	-	(263.4)	(646.5)
Other comprehensive loss for the period:													
Changes in fair value of financial assets designated at fair value through other comprehensive income	-	-	-	-	-	(88.8)	-	-	-	(88.8)	-	(17.2)	(106.0)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(44.3)	-	(44.3)	-	(20.8)	(65.1)
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	(0.1)	-	(0.1)	-	-	(0.1)
Total comprehensive loss for the period	-	-	-	-	-	(88.8)	-	(44.4)	(383.1)	(516.3)	-	(301.4)	(817.7)
Acquisition of non-controlling interests in a listed subsidiary	-	-	-	(7.9)	-	-	-	-	-	(7.9)	-	(2.9)	(10.8)
Distribution to holders of perpetual securities	-	-	-	-	-	-	-	-	(39.7)	(39.7)	-	(17.7)	(57.4)
Distribution to non-controlling interests of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	-	(8.2)	(8.2)
At 30th June, 2023	111.4	1,356.1	4.3	3,139.7	689.6	(1,148.6)	5.5	(159.7)	7,202.9	11,201.2	1,732.9	4,567.5	17,501.6

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30th June, 2024 (Unaudited)	Six months ended 30th June, 2023 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from operating activities	21.0	368.1
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	13.0	–
Purchases of financial assets at amortised cost	–	(30.0)
Proceeds from redemption of financial assets at amortised cost	–	10.0
Purchases of financial assets at fair value through profit or loss	(0.5)	(18.4)
Proceeds from disposal of financial assets at fair value through profit or loss	–	1.2
Distribution from financial assets at fair value through profit or loss	1.8	0.7
Decrease/(Increase) in loans receivable	2.8	(6.9)
Additions to investment properties	(1.9)	(2.0)
Proceeds from disposal of investment properties	6.1	13.2
Purchases of items of property, plant and equipment	(61.1)	(35.6)
Proceeds from disposal of items of property, plant and equipment	348.0	–
Acquisition of assets	16.1	–
Interest received	26.7	25.2
Dividends received from unlisted investments	9.6	4.7
Decrease/(Increase) in pledged time deposits and bank balances	(22.0)	1.9
Decrease in restricted cash	0.3	1.3
Net cash flows from/(used) in investing activities	338.9	(34.7)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of new bank loans	1,228.6	1,056.7
Repayment of bank loans	(1,437.8)	(1,238.9)
Issue of a secured note	–	312.0
Interest paid	(620.2)	(496.3)
Payment of loan and other costs	(27.4)	(3.1)
Principal portion of lease payments	(6.3)	(5.9)
Distribution to non-controlling interests of a listed subsidiary	–	(8.2)
Acquisition of non-controlling interests in a listed subsidiary	(15.8)	(10.8)
Distribution to holders of perpetual securities	(57.2)	(57.4)
Increase in restricted cash	(19.5)	(215.7)
Net cash flows used in financing activities	(955.6)	(667.6)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

		Six months ended 30th June, 2024 (Unaudited)	Six months ended 30th June, 2023 (Unaudited)
	Note	HK\$'million	HK\$'million
NET DECREASE IN CASH AND CASH EQUIVALENTS		(595.7)	(334.2)
Cash and cash equivalents at beginning of period		1,390.9	2,005.2
Effect of foreign exchange rate changes, net		(5.4)	(9.4)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>789.8</u>	<u>1,661.6</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	13	<u>789.8</u>	<u>1,661.6</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies and Basis of Preparation

The condensed consolidated financial statements for the six months ended 30th June, 2024 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 condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31st December, 2023. 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, 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

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

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

The Group has reassessed the terms and conditions of its liabilities as at 1st January, 2023 and 2024 upon initial application of the amendments. As at 1st January, 2023 and 2024, the Group had 5 interest bearing bank loans with carrying amounts of HK\$1,707.9 million and HK\$851.8 million, respectively, which were repayable within 12 months. These loans were drawn down from 3 to 5-year banking facilities expiring between April 2024 to August 2026 and the Group has the right to roll over these loans for another year subject to the compliance with certain annual covenant tests every year. Prior to the initial application of the amendments, these interest bearing bank loans were classified as current liabilities as the Group did not have an unconditional right to defer the settlement for at least 12 months after the reporting period. Upon initial application of the amendments, these loans were reclassified as non-current liabilities since the Group has the right to roll over the interest bearing bank loans for at least twelve months after 1st January, 2023 and 2024 under its existing loan facilities while covenants to be complied with after 1st January, 2023 and 2024 do not affect the classification of such loans as current or non-current. The quantitative impact on the interim condensed consolidated statement of financial position is summarised below.

	As at 30th June, 2024	Increase/(Decrease) As at 31st December, 2023	As at 1st January, 2023
	HK\$'million	HK\$'million	HK\$'million
CURRENT LIABILITIES			
Interest bearing bank borrowings	<u>(1,478.2)</u>	(851.8)	<u>(1,707.9)</u>
NET CURRENT ASSETS	<u>1,478.2</u>	851.8	<u>1,707.9</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,478.2</u>	851.8	<u>1,707.9</u>
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	<u>1,478.2</u>	851.8	<u>1,707.9</u>

The adoption of the amendments did not have any impact on the basic and diluted loss per share attributable to equity holders of the parent, profit or loss, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30th June, 2024 and 2023.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

2. Operating Segment Information

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

- (a) the property development and investment segment comprises the development and sale of properties, the leasing of properties and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) 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;
- (d) the asset management segment engages in the provision of asset management services to Regal Real Estate Investment Trust ("Regal REIT");
- (e) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;
- (f) the aircraft ownership and leasing segment* engages in the aircraft ownership and leasing for rental income; and
- (g) the others segment mainly comprises the provision of financing services, sale of food products, operation and management of restaurants, operation of security storage lounge and retail shops, 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.

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.

* Regal Hotels International Holdings Limited ("RHIHL") and its subsidiaries (the "RHIHL Group") owns two aircraft engines with a net carrying amount of HK\$57.6 million and average lease rental yield of 7.0%.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Asset management		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2024 (Unaudited)	2023 (Unaudited)	Six months ended 30th June, 2024 (Unaudited)	2023 (Unaudited)	Six months ended 30th June, 2024 (Unaudited)	2023 (Unaudited)	Six months ended 30th June, 2024 (Unaudited)	2023 (Unaudited)	Six months ended 30th June, 2024 (Unaudited)	2023 (Unaudited)	Six months ended 30th June, 2024 (Unaudited)	2023 (Unaudited)	Six months ended 30th June, 2024 (Unaudited)	2023 (Unaudited)	Six months ended 30th June, 2024 (Unaudited)	2023 (Unaudited)	Six months ended 30th June, 2024 (Unaudited)	2023 (Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment revenue (note 3):																		
Sales to external customers	491.0	795.6	8.8	6.9	841.2	744.2	-	2.4	7.9	11.8	13.0	36.8	34.4	-	-	1,392.0	1,602.0	
Intersegment sales	13.1	2.4	13.1	8.7	0.4	2.2	46.7	44.3	-	-	-	87.1	90.6	(160.4)	(148.2)	-	-	
Total segment revenue	504.1	798.0	21.9	15.6	841.6	746.4	46.7	44.3	7.9	11.8	13.0	123.9	125.0	(160.4)	(148.2)	1,392.0	1,602.0	
Segment results before depreciation	(117.1)	220.1	(4.3)	(5.0)	251.2	157.7	(6.5)	(6.9)	(35.1)	78.2	10.6	2.3	7.0	-	-	138.4	348.4	
Depreciation	(8.7)	(7.8)	(0.3)	(0.3)	(344.0)	(350.5)	-	-	-	(2.2)	(3.4)	(1.4)	(1.9)	-	-	(356.6)	(361.9)	
Segment results	(125.8)	212.3	(4.6)	(5.3)	(92.8)	(92.8)	(6.5)	(6.9)	(35.1)	76.0	7.2	0.9	5.1	-	-	(218.2)	(15.5)	
Unallocated interest income and unallocated non-operating and corporate gains																	19.4	23.4
Unallocated non-operating and corporate expenses																	(80.1)	(87.5)
Finance costs (other than interest on lease liabilities)																	(651.6)	(522.7)
Share of profits and losses of associates	0.1	0.1	-	-	(3.1)	(7.9)	-	-	-	-	-	-	-	-	-	(3.0)	(7.8)	
Loss before tax																	(933.5)	(610.1)
Income tax																	(87.8)	(36.4)
Loss for the period before allocation between equity holders of the parent and non-controlling interests																	(1,021.3)	(646.5)
Attributable to:																		
Equity holders of the parent																	(676.3)	(383.1)
Non-controlling interests																	(345.0)	(263.4)
																	(1,021.3)	(646.5)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

3. Revenue, Other Income and Gains

Revenue, other income and gains are analysed as follows:

	Six months ended 30th June, 2024 (Unaudited)	Six months ended 30th June, 2023 (Unaudited)
	HK\$'million	HK\$'million
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Proceeds from sale of properties	455.7	764.7
Hotel operations and management services	808.7	708.1
Construction and construction-related income	4.5	2.0
Estate management fees	4.3	4.9
Other operations	36.8	34.1
	1,310.0	1,513.8
<i>Revenue from other sources</i>		
Rental income:		
Hotel properties	24.8	23.6
Investment properties	37.8	40.0
Aircraft	11.8	13.0
Others	2.7	2.6
Interest income from financial assets at fair value through profit or loss	0.8	6.7
Interest income from finance lease	2.5	0.8
Dividend income from listed investments	1.6	1.2
Other operations	–	0.3
	82.0	88.2
Total	1,392.0	1,602.0

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers and the reconciliation with the operating segment information:

For the six months ended 30th June, 2024					
Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Types of goods or services					
Construction and construction-related income	–	4.5	–	–	4.5
Sale of properties	455.7	–	–	–	455.7
Estate management fees	–	4.3	–	–	4.3
Hotel operations and management services					
Hotel operations	–	–	805.0	–	805.0
Management services	–	–	3.7	–	3.7
Other operations	–	–	–	36.8	36.8
Total	455.7	8.8	808.7	36.8	1,310.0
Geographical markets					
Hong Kong	142.9	8.8	806.5	36.8	995.0
Mainland China	312.8	–	2.2	–	315.0
Total	455.7	8.8	808.7	36.8	1,310.0
Timing of revenue recognition					
At a point in time	455.7	–	158.1	14.6	628.4
Over time	–	8.8	650.6	22.2	681.6
Total	455.7	8.8	808.7	36.8	1,310.0

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30th June, 2023					
Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Types of goods or services					
Construction and construction-related income	–	2.0	–	–	2.0
Sale of properties	764.7	–	–	–	764.7
Estate management fees	–	4.9	–	–	4.9
Hotel operations and management services					
Hotel operations	–	–	706.1	–	706.1
Management services	–	–	2.0	–	2.0
Other operations	–	–	–	34.1	34.1
Total	<u>764.7</u>	<u>6.9</u>	<u>708.1</u>	<u>34.1</u>	<u>1,513.8</u>
Geographical markets					
Hong Kong	742.5	6.9	706.5	34.1	1,490.0
Mainland China	22.2	–	1.6	–	23.8
Total	<u>764.7</u>	<u>6.9</u>	<u>708.1</u>	<u>34.1</u>	<u>1,513.8</u>
Timing of revenue recognition					
At a point in time	764.7	–	155.2	10.2	930.1
Over time	–	6.9	552.9	23.9	583.7
Total	<u>764.7</u>	<u>6.9</u>	<u>708.1</u>	<u>34.1</u>	<u>1,513.8</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the six months ended 30th June, 2024					
Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Revenue from contracts with customers					
External customers	455.7	8.8	808.7	36.8	1,310.0
Intersegment sales	0.8	13.1	–	87.1	101.0
Subtotal	456.5	21.9	808.7	123.9	1,411.0
Intersegment adjustments and eliminations	(0.8)	(13.1)	–	(87.1)	(101.0)
Total	<u>455.7</u>	<u>8.8</u>	<u>808.7</u>	<u>36.8</u>	<u>1,310.0</u>

For the six months ended 30th June, 2023					
Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Revenue from contracts with customers					
External customers	764.7	6.9	708.1	34.1	1,513.8
Intersegment sales	1.1	8.7	–	90.6	100.4
Subtotal	765.8	15.6	708.1	124.7	1,614.2
Intersegment adjustments and eliminations	(1.1)	(8.7)	–	(90.6)	(100.4)
Total	<u>764.7</u>	<u>6.9</u>	<u>708.1</u>	<u>34.1</u>	<u>1,513.8</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

	Six months ended 30th June, 2024 (Unaudited)	Six months ended 30th June, 2023 (Unaudited)
	HK\$'million	HK\$'million
<u>Other income and gains</u>		
Bank interest income	12.7	13.4
Other interest income	11.2	14.7
Dividend income from unlisted investments	9.6	4.7
Gain on disposal of unlisted investments included in financial assets at fair value through profit or loss	–	0.7
Gain on disposal of items of property, plant and equipment	69.2	–
Others	9.5	5.5
	<hr/>	<hr/>
Total	112.2	39.0
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

4. Loss Before Tax

The Group's loss before tax includes the following items:

	Six months ended 30th June, 2024 (Unaudited)	Six months ended 30th June, 2023 (Unaudited)
	HK\$'million	HK\$'million
Profit on disposal of properties, net	<u>77.0</u>	<u>384.2</u>
Depreciation of property, plant and equipment	184.1	192.3
Depreciation of right-of-use assets	<u>172.5</u>	<u>171.6</u>
	<u>356.6</u>	<u>363.9</u>

5. Finance Costs

	Six months ended 30th June, 2024 (Unaudited)	Six months ended 30th June, 2023 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans	608.6	481.4
Interest on other borrowings	15.9	7.7
Interest expenses arising from revenue contracts	2.5	5.0
Interest on lease liabilities	0.3	0.3
Amortisation of debt establishment costs	<u>25.8</u>	<u>27.3</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	653.1	521.7
Fair value changes on derivative financial instruments – cash flow hedges (transfer from hedging reserve)	(3.9)	–
Other loan costs	<u>2.8</u>	<u>2.5</u>
Subtotal	652.0	524.2
Less: Finance costs capitalised	<u>(0.1)</u>	<u>(1.2)</u>
Total	<u>651.9</u>	<u>523.0</u>

6. Income Tax

	Six months ended 30th June, 2024 (Unaudited)	Six months ended 30th June, 2023 (Unaudited)
	HK\$'million	HK\$'million
Current – Hong Kong		
Charge for the period	11.3	36.9
Overprovision in prior years	–	(0.9)
Current – the People’s Republic of China (the “PRC”) and overseas		
Charge for the period	7.6	0.1
Overprovision in prior years	–	(5.9)
PRC land appreciation tax	78.6	34.4
Deferred	(9.7)	(28.2)
Total tax charge for the period	<u>87.8</u>	<u>36.4</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2023 - 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 in the PRC and overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

The PRC land appreciation tax is levied on the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for tax is required for the associates as no assessable profits were earned by the associates during the period (2023 - Nil).

7. Dividend

No dividend was paid or proposed during the six months ended 30th June, 2024, nor has any dividend been proposed since the end of the reporting period (2023 - Nil).

8. Loss Per Ordinary Share Attributable to Equity Holders of the Parent

(a) Basic loss per ordinary share

The calculation of the basic loss per ordinary share for the period ended 30th June, 2024 is based on the loss for the period attributable to equity holders of the parent of HK\$676.3 million (2023 - HK\$383.1 million), adjusted for the share of distribution related to perpetual securities of the RHIHL Group of HK\$39.6 million (2023 - HK\$39.7 million), and on 1,114.6 million (2023 - 1,114.6 million) ordinary shares of the Company in issue during the period.

(b) Diluted loss per ordinary share

No adjustment was made to the basic loss per ordinary share for the periods ended 30th June, 2024 and 2023 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

9. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$101.7 million (31st December, 2023 - HK\$102.3 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, 2024 (Unaudited)	31st December, 2023 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	79.7	83.8
4 to 6 months	7.0	5.8
7 to 12 months	4.2	5.0
Over 1 year	27.8	23.4
	<u>118.7</u>	118.0
Impairment	<u>(17.0)</u>	<u>(15.7)</u>
Total	<u><u>101.7</u></u>	<u><u>102.3</u></u>

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

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

Included in the balance are amounts due from a fellow subsidiary and a related company of HK\$1.7 million (31st December, 2023 - HK\$3.5 million) and HK\$1.2 million (31st December, 2023 - HK\$1.2 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

Also included in the balance is an amount of HK\$4.7 million (31st December, 2023 - HK\$7.7 million) in relation to the prepaid commission for sales of properties which is classified as contract costs in accordance with HKFRS 15.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

10. Creditors and Accruals

Included in the balance is an amount of HK\$48.1 million (31st December, 2023 - HK\$81.5 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, 2024 (Unaudited)	31st December, 2023 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	47.5	81.3
4 to 6 months	0.1	–
7 to 12 months	0.3	0.1
Over 1 year	0.2	0.1
	<u>48.1</u>	<u>81.5</u>
Total	<u>48.1</u>	<u>81.5</u>

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

Included in the balance under current liabilities are amounts due to fellow subsidiaries and associates of HK\$5.3 million (31st December, 2023 - HK\$4.6 million) and HK\$5.0 million (31st December, 2023 - HK\$3.0 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

11. Interest Bearing Bank Borrowings

	30th June, 2024 (Unaudited)		31st December, 2023 (Restated)	
	Maturity	HK\$'million	Maturity	HK\$'million
Current				
Bank loans – secured	2024 - 2025	2,537.4	2024	4,928.2
Non-current				
Bank loans – secured	2025 - 2028	16,905.2	2025 - 2028	14,722.2
Total		<u>19,442.6</u>		<u>19,650.4</u>

	30th June, 2024 (Unaudited)	31st December, 2023 (Restated)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	2,537.4	4,928.2
In the second year	5,634.7	5,358.6
In the third to fifth years, inclusive	11,270.5	9,363.6
Total	<u>19,442.6</u>	<u>19,650.4</u>

On 10th August, 2021, Regal REIT group, through its wholly-owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$500.0 million (the "2021 IH Facilities"), for a term of five years. The 2021 IH Facilities are secured by four of the five Initial Hotels, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel. As at 30th June, 2024, the 2021 IH Facilities had an outstanding amount of HK\$4,996.8 million, representing the full amount of the term loan facility and an amount of HK\$496.8 million under the revolving loan facility.

On 8th March, 2018, Regal REIT group arranged, through its wholly-owned subsidiary, Ricobem Limited, a bilateral term loan facility of HK\$3,000.0 million (the "2018 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. This facility had a term of five years to March 2023. In late June 2022, Regal REIT group concluded a 5-year term loan facility of HK\$2,950.0 million (the "2022 RKH Facility") with a new lender, similarly secured by the Regal Kowloon Hotel, which was used to refinance the 2018 RKH Facility. The 2022 RKH Facility has repayment obligations of HK\$50.0 million on each of its anniversary date to maturity. As at 30th June, 2024, the outstanding amount of the 2022 RKH Facility was HK\$2,850.0 million, after instalment repayment of HK\$50.0 million each in June 2023 and June 2024, respectively, representing the full amount of the term loan facility. The Regal REIT group also entered into interest rate swap arrangements to hedge against the interest rate exposure of the 2022 RKH Facility for a notional amount of HK\$600.0 million.

On 19th July, 2019, Regal REIT group, through its wholly-owned subsidiary, Sonnix Limited, entered into a facility agreement for a term loan facility of HK\$440.0 million (the "2019 WC Facility"), for a term of five years to July 2024. The 2019 WC Facility was secured by the iclub Wan Chai Hotel and its principal amount was revised to HK\$405.0 million on 22nd June, 2020 for compliance with the terms of the facility agreement. As at 30th June, 2024, the outstanding facility amount of the 2019 WC Facility was HK\$405.0 million.

On 17th October, 2023, Regal REIT group arranged, through its wholly-owned subsidiary, a new bilateral term loan facility of HK\$749.5 million and secured by the iclub Sheung Wan Hotel (the "2023 SW Facility") to replace the then term and revolving loan facilities of HK\$790.0 million. The 2023 SW Facility bears Hong Kong Interbank Offered Rate ("HIBOR")-based interest with a four-year term to October 2027. As at 30th June, 2024, the outstanding amount of the 2023 SW Facility was HK\$749.5 million, representing the full amount of the term loan. The Regal REIT group also entered into interest rate swap arrangements to hedge against the interest rate exposure of the 2023 SW Facility for a notional amount of HK\$500.0 million.

On 27th November, 2023, Regal REIT group arranged, through its wholly-owned subsidiary, another new bilateral term loan facility of HK\$755.0 million and secured by the iclub Fortress Hill Hotel (the "2023 FH Facility") to replace the then term and revolving loan facilities of HK\$825.0 million. The 2023 FH Facility bears HIBOR-based interest and has a term of five years to November 2028. As at 30th June, 2024, the outstanding amount of the 2023 FH Facility was HK\$755.0 million, representing the full amount of the term loan.

On 15th November, 2023, Regal REIT group arranged, through its wholly-owned subsidiary, a new term loan facility of HK\$650.0 million, secured by the iclub To Kwa Wan Hotel (the "2023 TKW Facility"), with a term of two years to November 2025 and bearing HIBOR-based interest, to replace the then term loan facility of HK\$621.0 million. As at 30th June, 2024, the outstanding amount of the 2023 TKW Facility was HK\$650.0 million, representing the full amount of the term loan.

As at 30th June, 2024, the outstanding loan facilities of the Regal REIT group bore interest at the HIBOR plus an interest margin ranging from 1.05% per annum to 1.8% per annum (31st December, 2023 - ranging from 1.05% per annum to 1.8% per annum).

Bank borrowings under the 2021 IH Facilities, the 2022 RKH Facility, the 2019 WC Facility, the 2023 SW Facility, the 2023 FH Facility and the 2023 TKW Facility are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

The Regal REIT group's interest-bearing bank borrowings are also secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;
- (iii) charges over each relevant rental account, sales proceeds account and other control accounts of the Regal REIT group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Regal REIT group; and
- (v) an equitable charge over the shares in the relevant companies of the Regal REIT group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

As at 30th June, 2024, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 1.25% per annum to 2.35% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars.

As at 31st December, 2023, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 1.15% per annum to 2.75% per annum except for a bank loan of HK\$5.0 million, which bore interest at Euro Interbank Offered Rate plus an interest margin of 2.5% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for a bank loan of HK\$5.0 million which was denominated in Euro.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 15 to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

12. Other Borrowings

	30th June, 2024 (Unaudited)	31st December, 2023 (Audited)
	HK\$'million	HK\$'million
Secured notes	<u>468.0</u>	<u>468.0</u>
Analysed into:		
Other borrowings repayable:		
In the second year	468.0	156.0
In the third to fifth years, inclusive	<u>–</u>	<u>312.0</u>
Total	<u>468.0</u>	<u>468.0</u>

On 19th September, 2022, Cosmopolitan International Finance Limited (“CIFL”), a wholly owned subsidiary of Cosmopolitan International Holdings Limited (“Cosmopolitan”), issued a 3-year unsecured note (“Note A”) in an aggregate nominal principal amount of US\$20.0 million at a coupon interest rate of HIBOR plus 0.6% per annum.

On 14th April, 2023, CIFL issued a 3-year secured note (“Note B”) in an aggregate nominal principal amount of US\$40.0 million at a coupon interest rate of HIBOR plus 3.11% per annum.

Upon the issuance of Note B, Cosmopolitan and its subsidiaries (the “Cosmopolitan Group”) pledged the equity interest in a holding company of the Cosmopolitan Group’s property development project in Chengdu over both Note A and Note B.

13. Notes to the Condensed Consolidated Statement of Cash Flows

Cash and cash equivalent balances

	Six months ended 30th June, 2024 (Unaudited)	Six months ended 30th June, 2023 (Unaudited)
	HK\$'million	HK\$'million
Cash and bank balances	470.0	963.3
Non-pledged time deposits with an original maturity of less than three months when acquired	<u>319.8</u>	<u>698.3</u>
Cash and cash equivalents	<u>789.8</u>	<u>1,661.6</u>

14. Related Party Transactions

(a) Transactions with related parties

The Group had the following material related party transactions during the period:

	Six months ended 30th June, 2024 (Unaudited)	Six months ended 30th June, 2023 (Unaudited)
	HK\$'million	HK\$'million
A wholly owned subsidiary of the ultimate listed holding company: Management fees	33.6	34.8
Associates:		
Advertising and promotion fees (including cost reimbursements)	1.7	2.0
Interest income	-	7.4
A company owned by a family member of a Director of the Company: Rental income	-	0.7
	<u> </u>	<u> </u>

The nature and terms of the above related party transactions have not changed and were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2023.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

(b) Outstanding balances, before impairment, with related parties:

	30th June, 2024 (Unaudited)	31st December, 2023 (Audited)
	HK\$'million	HK\$'million
Loans to an associate	410.5	410.5
Due from associates	82.6	82.6
Due from a fellow subsidiary	1.7	3.5
Due from a related company	1.2	1.2
Due to fellow subsidiaries	(5.3)	(4.6)
Due to associates	(5.0)	(3.0)
	<u>410.5</u>	<u>410.5</u>

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

	Six months ended 30th June, 2024 (Unaudited)	Six months ended 30th June, 2023 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	22.8	22.6
Staff retirement scheme contributions	1.6	1.6
Total compensation paid to key management personnel	<u>24.4</u>	<u>24.2</u>

15. Pledge of Assets

As at 30th June, 2024, certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, properties held for sale, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$29,891.1 million (31st December, 2023 - HK\$30,373.0 million) were pledged to secure general 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. In addition, as at 30th June, 2024, certain ordinary shares in a listed subsidiary with a market value of HK\$248.3 million (31st December, 2023 - HK\$251.8 million) were also pledged to secure general banking facilities granted to the Group.

16. Contingent Liabilities

As at 30th June, 2024, the Group had contingent liabilities for corporate guarantees provided in respect of a banking facility granted to an associate in the amount of HK\$393.0 million (31st December, 2023 - HK\$396.5 million) which was fully utilised. In addition, a corporate guarantee has been given to a bank by the RHIHL Group for a performance bond issued by the bank in relation to a property development contract undertaken by the RHIHL Group amounting to HK\$15.0 million (31st December, 2023 - HK\$15.0 million).

In addition, at the end of the reporting period, the Cosmopolitan Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of its properties amounting to approximately RMB188.7 million (HK\$201.9 million) (31st December, 2023 - RMB341.2 million (HK\$373.9 million)). The Cosmopolitan Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

No provision has been made in the condensed consolidated financial statements for the guarantees in connection with the mortgage facilities as management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

Furthermore, a subsidiary of the RHIHL Group is currently in the process of appealing a notice of stamp duty assessment in the amount of HK\$93.0 million (31st December, 2023 - HK\$93.0 million) issued by the Inland Revenue Department of Hong Kong SAR in relation to the sub-lease agreement entered into between the Airport Authority and the RHIHL Group. Based on the opinion of legal advisors, the Directors consider there is a reasonable chance of success in the appeal and accordingly no provision has been made in the condensed consolidated financial statements.

As at 30th June, 2024, the owner of Regala Skycity Hotel is a defendant of a claim lodged by a contractor in relation to certain outstanding construction costs of the hotel amounting to approximately HK\$38.0 million. The RHIHL Group has engaged its lawyers and is currently preparing the defence and a counterclaim which is estimated at an amount well in excess of the amount being claimed by the plaintiff. Based on a legal advice obtained, the directors of RHIHL consider this is an arguable case with reasonable ground for such defence and accordingly no provision is required.

17. Commitments

The Group had the following contractual commitments at the end of the reporting period:

	30th June, 2024 (Unaudited)	31st December, 2023 (Audited)
	HK\$'million	HK\$'million
Property development projects	<u>141.1</u>	<u>178.9</u>

18. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values at the end of the reporting period.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value as at 30th June, 2024

	Fair value measurement using			Total (Unaudited) HK\$'million
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'million	Significant observable inputs (Level 2) (Unaudited) HK\$'million	Significant unobservable inputs (Level 3) (Unaudited) HK\$'million	
Financial assets designated at fair value through other comprehensive income:				
Listed equity investment	6.7	–	–	6.7
Financial assets at fair value through profit or loss:				
Listed equity investments	170.9	–	–	170.9
Listed debt investments	–	5.5	–	5.5
Unlisted equity investments	–	–	116.4	116.4
Unlisted fund investments	–	–	447.1	447.1
Unlisted debt investments	–	–	1.7	1.7
Derivative financial instruments	–	101.9	–	101.9
Total	177.6	107.4	565.2	850.2

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Assets measured at fair value as at 31st December, 2023

	Fair value measurement using			Total (Audited)
	Quoted prices in active markets (Level 1) (Audited)	Significant observable inputs (Level 2) (Audited)	Significant unobservable inputs (Level 3) (Audited)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Financial assets designated at fair value through other comprehensive income:				
Listed equity investment	27.5	–	–	27.5
Unlisted fund investment	–	–	0.6	0.6
Financial assets at fair value through profit or loss:				
Listed equity investments	182.0	–	–	182.0
Listed debt investments	–	6.6	–	6.6
Unlisted equity investments	–	–	118.0	118.0
Unlisted fund investments	–	–	506.1	506.1
Unlisted debt investments	–	–	1.7	1.7
Derivative financial instruments	–	93.9	–	93.9
Total	209.5	100.5	626.4	936.4

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

	2024 (Unaudited)	2023 (Unaudited)
	HK\$'million	HK\$'million
At 1st January	626.4	1,096.2
Purchases	0.6	18.4
Distributions	(1.9)	(0.7)
Unrealised losses recognised in profit or loss	(1.8)	(129.7)
Unrealised losses recognised in other comprehensive income	(0.5)	–
Disposals	(57.6)	(0.7)
Exchange realignment	–	(1.9)
At 30th June	565.2	981.6

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

During the prior period, the Group transferred the fair value of a listed equity investment at fair value through profit or loss amounting to HK\$122.1 million from Level 1 into Level 2 due to lack of marketability and there were no transfers into or out of Level 3 for financial assets.

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 30th June, 2024 (31st December, 2023 - Nil).

Valuation techniques

The fair values of listed equity investments are based on quoted market prices.

The fair values of listed debt investments are determined based on the market values provided by financial institutions.

The fair values of certain unlisted equity investments are determined based on management estimation on the future returns from the investments.

The fair values of certain unlisted equity investments, unlisted debt investments and certain unlisted fund investments are determined by reference to recent transaction prices of the investments or carried at valuations provided by financial institutions or related administrators. The fair values of certain unlisted fund investments are assessed to approximate the net asset values indicated on the net asset value statements issued by the investment fund managers, which take into consideration the fair values of the underlying assets held under the investments. For unlisted fund investments classified under Level 3 of the fair value measurement hierarchy, when the net asset value increases/decreases, the fair value will increase/decrease accordingly. Given there is a diverse portfolio of unlisted equity investments, unlisted debt investments and unlisted fund investments, each of which of insignificant value, there is no separate disclosure on the fair value measurement using significant unobservable inputs (Level 3).

The fair values of the derivative financial instruments, including put option and interest rate swap contracts, are determined based on the market values provided by financial institutions.

19. Event After the Reporting Period

Subsequent to the end of the reporting period, a wholly-owned subsidiary of the RHIHL Group entered into a letter of intent for the proposed disposal of two aircraft engines for a total consideration of US\$10.55 million (approximately HK\$82.3 million) and a definitive sale and purchase agreement is being finalised with the prospective third party purchaser.

20. Approval of the Unaudited Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28th August, 2024.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2024)
				Personal interests	Corporate interests	Family/Other interests	
1.	The Company	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	50,185	–	–	50,185 (0.005%)
		Ms. Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	111,815,396	2,032,315,326 (Note a)	380,683	2,144,511,405 (69.34%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	–	–	4,000 (0.000%)
		Ms. Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)

OTHER INFORMATION (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2024)
				Personal interests	Corporate interests	Family/Other interests	
3.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	200	–	–	200 (0.000%)
		Ms. Lo Po Man	Ordinary (issued)	569,169	–	–	569,169 (0.06%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	871,504,279 (Note d)	–	871,504,279
			(ii) (unissued)	–	1,591,775,147 (Note e)	–	1,591,775,147
			Preference (issued)	–	229,548,733 (Note e)	–	229,548,733 (99.99%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	680,730	–	–	680,730 (0.05%)
		Ms. Lo Po Man	Ordinary (issued)	414,000	–	–	414,000 (0.03%)
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note f)	–	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note g)	–	1,000 (100%)
						Total:	2,463,279,426 (198.71%)

Notes:

- (a) (i) The interests in 1,973,420,928 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").
- (ii) The interests in the other 58,894,398 issued ordinary shares of CCIHL were derivative interests held by YSL International Holdings Limited ("YSL Int'l"), a company wholly owned by Mr. Lo, under the right of first refusal to purchase such shares granted by the Dalton Group (comprising Dalton Investments LLC and its two affiliates).
- (b) The interests in 694,124,547 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 67.43% shareholding interests.

The interests in 16,271,685 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 67.43% shareholding interests. The interests in 622,433,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 62.28% shareholding interests. The Company held 69.25% shareholding interests in RHIHL.
- (d) The interests in 706,851,215 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings Limited ("P&R"), which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The interests in the other 111,319,732 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of RHIHL. The interests in the other 53,333,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 67.43% shareholding interests in CCIHL.

OTHER INFORMATION (Cont'd)

- (e) The interests in 1,272,070,219 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R, which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The interests in the other 213,038,264 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of RHIHL. The interests in the other 106,666,664 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 67.43% shareholding interests in CCIHL.

The interests in 229,548,733 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 229,548,733 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,362,226,414 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2 per cent. convertible notes due 2053 in a principal amount of HK\$136,222,641.4 issued by Cosmopolitan. The convertible notes are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.10 per ordinary share (subject to adjustments in accordance with the terms of the convertible notes).

- (f) The interests in 2,439,613,739 issued units of Regal REIT were held through wholly owned subsidiaries of RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 67.43% shareholding interests in CCIHL.
- (g) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 67.43% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2024, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2024, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 30th June, 2024
YSL Int'l (Note i)	694,124,547	–	694,124,547	62.28%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	694,124,547	–	694,124,547	62.28%
CCIHL (Note iii)	694,124,547	–	694,124,547	62.28%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	694,124,547	–	694,124,547	62.28%
Almighty International Limited ("Almighty") (Note iv)	346,994,526	–	346,994,526	31.13%
Cleverview Investments Limited ("Cleverview") (Note iv)	180,811,470	–	180,811,470	16.22%

Notes:

- (i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.
- (iii) CCIHL is owned as to 52.72% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.
- (iv) These companies are wholly owned subsidiaries of CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30th June, 2024, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30th June, 2024 are set out as follows:

- (1) Mr. Lo Yuk Sui is a director of YSL Int'l.
- (2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Ms. Lo Po Man are directors of Grand Modern.
- (3) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Mr. Kelvin Leung So Po, Ms. Lo Po Man, Mr. Kenneth Ng Kwai Kai, Ms. Winnie Ng and Mr. Wong Chi Keung are directors of CCIHL.
- (4) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Mr. Kelvin Leung So Po, Ms. Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleverview.

OTHER INFORMATION (Cont'd)

CHANGE IN INFORMATION OF DIRECTORS

There was no change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the financial year ended 31st December, 2023.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix C1 of the Listing Rules during the six months ended 30th June, 2024, 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.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Paliburg Code during the six months ended 30th June, 2024.

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, 2024.

REVIEW OF RESULTS

The Audit Committee of the Company currently comprises the following members:

Mr. Wong Chi Keung (Chairman of the Committee) *(Independent Non-Executive Director)*

Mr. Bowen Joseph Leung Po Wing, GBS, JP *(Independent Non-Executive Director)*

Ms. Winnie Ng, JP *(Independent Non-Executive Director)*

Mr. Abraham Shek Lai Him, GBS, JP *(Independent Non-Executive Director)*

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2024, in conjunction with the external auditor. The review report of the external auditor is set out on page 64 of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



**To the Board of Directors of
Paliburg Holdings Limited**
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 25 to 56, which comprises the condensed consolidated statement of financial position of Paliburg Holdings Limited (the “Company”) and its subsidiaries as at 30th June, 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

27/F, One Taikoo Place
979 King’s Road
Quarry Bay, Hong Kong

28th August, 2024



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