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ANNOUNCEMENT OF 2020 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2020 (Unaudited) HK\$'M	Six months ended 30th June, 2019 (Unaudited) HK\$'M	% Change
Revenue	829.3	1,390.5	-40.4%
Gross profit	207.5	689.5	-69.9%
Operating profit/(loss) before depreciation and amortisation, finance costs and tax	(251.0)	756.8	N/A
Profit/(Loss) for the period attributable to equity holders of the parent	(558.8)	106.3	N/A
Basic earnings/(loss) per ordinary share attributable to equity holders of the parent	HK(53.61) cents	HK6.05 cents	N/A
Interim dividend per ordinary share	–	HK2.5 cents	N/A
	As at 30th June, 2020 (Unaudited)	As at 31st Dec, 2019 (Unaudited)	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	HK\$12.59	HK\$12.38	+1.7%
Adjusted*	HK\$15.05	HK\$15.77	-4.6%

* compiled, for the purpose of reference, on an adjusted basis to restate the hotel property portfolio owned by the Regal group in Hong Kong at its market value at 31st December, 2019 and 30th June, 2020, respectively, with the relevant deferred tax liabilities added back

- For the six months ended 30th June, 2020, the Group recorded an unaudited consolidated loss attributable to shareholders of HK\$558.8 million, while for the comparative period last year, a net profit of HK\$106.3 million was attained.
- Due to the outbreak of the novel coronavirus since the beginning of this year, the revenue from the Group's core hotel businesses, which are undertaken through Regal Hotels International Holdings Limited, the major listed subsidiary of the Company, has dropped drastically during the period under review, as compared to that in the first six months of 2019.
- Moreover, despite the substantial contracted sales secured at Mount Regalia in Kau To, Sha Tin developed by P&R Holdings Limited, a 50/50 held joint venture with Regal and effectively a subsidiary of the Company, as well as the substantial contracted presales of the residential units in the third stage of the development project in Chengdu, China undertaken by Cosmopolitan International Holdings Limited, also a listed subsidiary of the Company, the profits from these contracted sales and presales will only be recognised when the properties are handed over to the respective purchasers after completion of the relevant sales.
- Gross profit of the Group from operations for the period amounted to HK\$207.5 million, which was about 70% lower than the comparative amount of HK\$689.5 million last year. After accounting for, among others, the fair value losses on financial assets and investment properties and other impairment losses, an operating loss before depreciation and amortisation, finance costs and tax of HK\$251.0 million was incurred (2019 – profit of HK\$756.8 million).
- Depreciation charges in the amount of HK\$284.0 million have been provided on the Group's hotel properties for this interim period (2019 – HK\$279.7 million) which, although having no impact on the Group's cash flow, have nevertheless also impacted the reported results.
- P&R Holdings is the main operating arm for the Group's property development and investment businesses.
- The Mount Regalia is a major residential development undertaken by P&R Holdings, comprising a total of 24 garden houses and 136 apartment units, complemented with car parks and club house facilities. Up to date, a total of 12 garden houses and 24 apartment units have been sold or contracted to be sold. The revenues from these property sales are accounted for as and when the relevant sale transactions are completed from time to time.

- **With an objective to building up a recurring income base, P&R Holdings has retained the We Go MALL in Ma On Shan, Sha Tin as an investment property for rental income. In the meanwhile, P&R Holdings is self-operating the iclub Mong Kok Hotel in Tai Kok Tsui, with the hotel management services undertaken by the Regal group, which will generate additional recurrent revenue.**
- **P&R Holdings has two commercial/residential developments currently in progress. The first one is located at Kam Wa Street in Shau Kei Wan, which has a total site area of approximately 5,580 square feet and the demolition works for which have recently been completed. The other is located at Castle Peak Road, which is presently over 80% owned by P&R Holdings, and the requisite process for the acquisition of the remaining undivided shares is under preparation.**
- **P&R Holdings is also retaining 50% ownership interest in the new hotel that it developed in Sheung Wan, which is proposed to be named as the “iclub AMTD Sheung Wan Hotel” and to be opened for business shortly.**
- **The Group directly holds a controlling shareholding interest in Regal which, in turn, holds a controlling interest in the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal that owns nine Regal and iclub Hotels operating in Hong Kong.**
- **Apart from its property development and investment businesses, P&R Holdings also holds an effective controlling shareholding interest in Cosmopolitan (comprising interests in its ordinary shares and convertible preference shares) and, in addition, convertible bonds of Cosmopolitan. Cosmopolitan principally focuses on property development and investment in the PRC and other investments.**
- **Detailed information on the business operations of Regal, Regal REIT and Cosmopolitan, the three listed subsidiaries of the Company, are contained in their separate results announcements released today.**
- **The Group has secured substantial contracted sales or presales in the development projects undertaken in Hong Kong and China. When these sale transactions are completed in the course of the next few years, they will contribute to the Group very significant profit and cash flow, providing solid support for the Group’s continuing development.**

FINANCIAL RESULTS

For the six months ended 30th June, 2020, the Group recorded an unaudited consolidated loss attributable to shareholders of HK\$558.8 million, while for the comparative period last year, a net profit of HK\$106.3 million was attained.

As mentioned in the profit warning announcement published by the Company on 20th July, 2020, due to the outbreak of the novel coronavirus since the beginning of this year, the revenue from the Group's core hotel businesses, which are undertaken through Regal Hotels International Holdings Limited, the major listed subsidiary of the Company, has dropped drastically during the period under review, as compared to that in the first six months of 2019. Moreover, despite the substantial contracted sales secured at Mount Regalia in Kau To, Sha Tin developed by P&R Holdings Limited, a 50/50 held joint venture with Regal and effectively a subsidiary of the Company, as well as the substantial contracted presales of the residential units in the third stage of the development project in Chengdu, China undertaken by Cosmopolitan International Holdings Limited, also a listed subsidiary of the Company, the profits from these contracted sales and presales will only be recognised when the properties are handed over to the respective purchasers after completion of the relevant sales. Consequently, the financial results of the Group for this interim period have been adversely affected.

Gross profit of the Group from operations for the period amounted to HK\$207.5 million, which was about 70% lower than the comparative amount of HK\$689.5 million last year, largely for the reasons as explained above. After accounting for, among others, the fair value losses on financial assets and investment properties and other impairment losses, an operating loss before depreciation and amortisation, finance costs and tax of HK\$251.0 million was incurred (2019 – profit of HK\$756.8 million). Moreover, as the Group's hotel properties in Hong Kong are all owned and operated within the Group, they are classified in the Group's consolidated financial statements as property, plant and equipment and right-of-use assets and subject to depreciation charges to conform to applicable accounting standards. Accordingly, depreciation charges in the amount of HK\$284.0 million have been provided on these hotel properties for this interim period (2019 – HK\$279.7 million) which, although having no impact on the Group's cash flow, have nevertheless also impacted the reported results.

Supplementary information showing the adjusted net asset value of the Company as at 30th June, 2020 of HK\$15.05 per share, 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 announcement.

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, 2020, the Group directly held a controlling shareholding interest of approximately 69.3% in Regal which, in turn, held approximately 74.6% of the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal which presently owns nine Regal and iclub Hotels in Hong Kong.

The Group’s property development and investment businesses in Hong Kong are principally conducted through P&R Holdings and, at appropriate times, Regal has also on its own undertaken some new property projects.

Apart from its property business, P&R Holdings also holds an effective controlling shareholding interest in Cosmopolitan, comprising interests in the ordinary shares, convertible preference shares as well as convertible bonds of Cosmopolitan. Cosmopolitan is effectively a listed member of the Group and primarily engages in property business in China and other investments.

As disclosed in the 2019 Annual Report of the Company, through a series of share transactions that were completed in January and April 2020, respectively, P&R Holdings disposed of a total of 588,320,000 Cosmopolitan shares and acquired an aggregate of 15,174,000 AMTD Class A ordinary shares. Together with those held by Cosmopolitan, P&R Holdings group held a total of 21,243,000 AMTD Class A ordinary shares as at 30th June, 2020, representing approximately 8.6% of the total outstanding share capital of AMTD International Inc.. These AMTD shares are intended to be held as long term investments. The Group believes that,

through this strategic co-operative relationship, the Group will be able to benefit from the professional investment and financial services offered by AMTD.

In June 2020, P&R Holdings converted part of its convertible bonds held in Cosmopolitan and distributed certain of its existing holding of the Cosmopolitan shares to its two shareholders by way of distribution of dividend. Details of these transactions were contained in the joint announcement published by the Company dated 26th June, 2020. P&R Holdings presently holds approximately 44.1% of the issued ordinary share capital of Cosmopolitan, but if all its holdings in the convertible preference shares and the remaining convertible bonds of Cosmopolitan are fully converted, P&R Holdings' shareholding interest in Cosmopolitan will amount to approximately 65.1% of its enlarged capital, based on its existing capital structure.

Recently in July 2020, P&R Holdings established a US\$300 million Medium Term Note Programme, which will enable it to tap a new source of funding through the capital market as and when future circumstances are considered appropriate.

Further information on the Group's property businesses as well as the financial results and operational review of the listed members of the Group are presented below.

PROPERTIES

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

Since its establishment in 2011, P&R Holdings has completed a total of nine different development projects in Hong Kong and two commercial/residential developments are currently in progress.

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

With an objective to building up a recurring income base, P&R Holdings has retained the We Go MALL in Ma On Shan, Sha Tin as an investment property for rental income. In the meanwhile, P&R Holdings is self-operating the iclub Mong Kok Hotel in Tai Kok Tsui, with the hotel management services undertaken by the Regal group, which will generate additional recurrent revenue.

Of the two commercial/residential developments currently in progress, the first one is located at Kam Wa Street in Shau Kei Wan. This project has a total site area of approximately 5,580 square feet and the demolition works for which have recently been completed. The other is located at Castle Peak Road, which is presently over 80% owned by P&R Holdings, and requisite process for the acquisition of the remaining undivided shares is under preparation.

Additional information on the property projects and properties of P&R Holdings, as well as those undertaken by Regal and Cosmopolitan, is contained in the “Management Discussion and Analysis” section.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

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

Further information on the principal business operations and outlook of Regal, including its Management Discussion and Analysis, is contained in Regal’s announcement separately released today.

REGAL REAL ESTATE INVESTMENT TRUST

For the six months ended 30th June, 2020, Regal REIT recorded an unaudited consolidated loss before distribution to unitholders of HK\$2,096.2 million, as compared to a loss of HK\$362.9 million for the corresponding period in 2019.

Further information on the principal business operations and outlook of Regal REIT, including its Management Discussion and Analysis, is contained in Regal REIT's announcement separately released today.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2020, Cosmopolitan recorded an unaudited consolidated loss attributable to shareholders of HK\$79.0 million (2019 – loss of HK\$57.5 million).

Further information on the principal business operations and outlook of Cosmopolitan, including its Management Discussion and Analysis, is contained in Cosmopolitan's announcement separately released today.

OUTLOOK

Due to the continuing low interest environment, the plentiful market liquidity created by the quantitative easing measures taken by most major countries, the strong underlying end-user demand and the limited supply of development lands, the property market in Hong Kong should remain steady, despite the slowing economy, though the retail sector might take some longer time to revive.

The Group has secured substantial contracted sales or presales in the development projects undertaken in Hong Kong and China. When these sale transactions are completed in the course of the next few years, they will contribute to the Group very significant profit and cash flow, providing solid support for the Group's continuing development.

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, the principal listed subsidiary of the Group, comprise hotel ownership business undertaken through Regal REIT, hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings, aircraft ownership and leasing and other investment businesses.

Cosmopolitan is a listed subsidiary of the Group held through P&R Holdings. The principal business activities of the Cosmopolitan group comprise property development and investment, which are mainly focused in 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 the principal businesses of Regal and Regal REIT as well as those of Cosmopolitan during the period under review, the commentary on the property and hotel sectors in which the Group operates and the changes in the general market conditions and the potential impact on their operating performances and future prospects are contained in the sections headed "Business Overview" and "Outlook" above and in this sub-section as well as in the separate interim results announcements for 2020 released by Regal, Regal REIT and Cosmopolitan.

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

P&R HOLDINGS LIMITED

P&R Holdings is a 50/50 owned joint venture established with Regal, with capital contributions provided by the Company and Regal on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. P&R Holdings is effectively a subsidiary of the Company and its business scope encompasses the development of real estate projects for sale and/or leasing, the undertaking of related investment and financing activities, and the acquisition or making of any investments (directly or indirectly) in the financial assets of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financial activities where the underlying assets or security comprise real estate properties.

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

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

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

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

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

to be disposed of on a gradual basis but some of them may in the meantime be retained for rental income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

Regal is a listed subsidiary of the Company. Further information relating to the property projects undertaken and the principal properties owned by the Regal group, which are all wholly owned by Regal (except for the property project in Portugal), is set out below:

Hong Kong

New hotel project intended to be named as “Regala Skycity Hotel” at the Hong Kong International Airport

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

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

The project is being developed into a 13-storey (including one basement floor) hotel with 1,208 guestrooms and suites as well as extensive banquet, meeting and food and beverage facilities.

The hotel will be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses. The building works have been completed and the relevant occupation permit is being applied for. Depending on the timing on the restoration of normal traffic and business activities at the airport area, this hotel is still being planned to be opened in the first half of 2021.

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

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

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

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

Overseas

Campus La Mola, Barcelona, Spain

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

41 Kingsway, London WC2B 6TP, the United Kingdom

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

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

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

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

Property Development

Chengdu Project – Regal Cosmopolitan City

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

The superstructure and fitting-out works for the third stage of the development, consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces, are in steady progress and targeted to be completed around mid-2021. Most of the 1,130 residential units in the first seven towers

comprised in the third stage have been presold, at prices which are significantly higher than those attained in the first and second stages of the development. The presale of the last three residential towers consisting of 425 units was launched in July 2020, at a further increased average price as compared with that for the first seven towers, which was again met with favourable response. Out of these 425 residential units, a total of 274 units have been contracted as sold and 132 units having been subscribed. Up to date, presales of all 1,555 residential units in the third stage have been launched and a total of 1,370 units have been contracted as presold. Total sales proceeds amount to approximately RMB1,793.8 million (HK\$2,011.7 million), of which approximately RMB1,496.9 million (HK\$1,678.8 million) have already been received by the Cosmopolitan group as deposits under the presale contracts.

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

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

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

Tianjin Project – Regal Renaissance

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

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

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

Xinjiang Project

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

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

Other Investments

Investment in shares of AMTD International Inc.

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

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

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

Carbon Assets

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

The Cosmopolitan group subsequently entered into supplemental MOUs with the other parties to extend the formal agreement signing date, the completion date for due diligence review and the exclusivity period under the MOU, which was last extended to 31st July, 2020 under the

latest supplemental MOU entered into in May 2020. Up to 31st July, 2020, no formal agreement had been entered into among the parties and the MOU lapsed and was terminated accordingly.

PRC Real Estate Company

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

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 Holdings' hotel developments at Bonham Strand, Sheung Wan (now operating as the iclub Sheung Wan Hotel), Merlin Street, Fortress Hill (now operating as the iclub Fortress Hill Hotel) and Ha Heung Road, To Kwa Wan (now operating as the iclub Ma Tau Wai Hotel), which were completed in January 2014, May 2014 and November 2016, respectively, as well as the residential project at Tan Kwai Tsuen Road, Yuen Long which was completed in November 2015. Chatwin was also the main contractor for P&R Holdings' iclub Mong Kok Hotel at Anchor Street/Fuk Tsun Street, Tai Kok Tsui that was completed in late 2018 and opened for business in March 2019.

Due to the increasing number of projects undertaken by the Group as a whole, the Group's development consultancy division, which provides professional services on project management, architectural, engineering and interior design aspects, is likewise principally supporting the needs of the Group's member companies.

FINANCIAL ASSETS AND OTHER INVESTMENTS

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

FINANCIAL REVIEW

ASSETS VALUE

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 Ma Tau Wai Hotel, were stated in the financial statements at their fair values as at 7th May, 2012 when Regal, 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 Ma Tau Wai 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 Holdings to Regal REIT, and are also subject to depreciation. For the purpose of providing supplementary information, if the entire hotel property portfolio of the Regal group in Hong Kong is restated in the condensed consolidated financial statements at market value as at 30th June, 2020, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$15.05 per share, computed as follows:

	As at 30th June, 2020	
	HK\$'M	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	14,036.5	12.59
Adjustment to restate the Regal group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	2,740.0	2.46
Unaudited adjusted net assets attributable to equity holders of the parent	16,776.5	15.05

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 presently financed by internal resources and proceeds from the presale of the units. Project financing for the projects in the PRC may be arranged in local currency on appropriate terms to cover a part of the land cost and/or construction cost, and with the loan maturity tied in to the estimated project completion date.

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates, while its senior unsecured notes are denominated in US dollar with fixed coupon interest rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As the Hong Kong dollar is pegged to the US dollar, the exchange risks are considered to be insignificant and no currency hedging has been

deployed. As regards the Group's overseas investments and investments in the PRC which are based in currencies other than US dollar and Hong Kong dollar, the Group will consider hedging part or all of the investment amounts into US dollar or Hong Kong dollar to contain the Group's exposure to currency fluctuation.

Cash Flows

Net cash flows generated from operating activities during the period under review amounted to HK\$825.5 million (2019 – HK\$243.3 million). Net interest payment for the period amounted to HK\$234.0 million (2019 – HK\$205.9 million).

Borrowings and Gearing

As at 30th June, 2020, the Group had cash and bank balances and deposits of HK\$2,353.0 million (31st December, 2019 – HK\$2,738.4 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$18,034.6 million (31st December, 2019 – HK\$17,826.0 million).

As at 30th June, 2020, the gearing ratio of the Group was 38.4% (31st December, 2019 – 38.4%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK\$18,034.6 million (31st December, 2019 – HK\$17,826.0 million), as compared to the total assets of the Group of HK\$47,007.5 million (31st December, 2019 – HK\$46,466.6 million).

On the basis of the adjusted total assets as at 30th June, 2020 of HK\$52,284.3 million (31st December, 2019 – HK\$53,748.1 million) with the hotel portfolio owned by the Regal group in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 34.5% (31st December, 2019 – 33.2%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2020 are shown in the condensed consolidated financial statements contained in the interim report for the six months ended 30th June, 2020 of the Company ("Interim Financial Statements") to be published on or before 30th September, 2020.

Lease Liabilities

As at 30th June, 2020, the Group had lease liabilities of HK\$47.2 million (31st December, 2019 – HK\$54.4 million).

Pledge of Assets

As at 30th June, 2020, certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, properties held for sale, financial asset at amortised cost, financial assets at fair value through profit or loss, time deposits and bank balances in the total amount of HK\$33,534.6 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, 2020, certain ordinary shares in a listed subsidiary with a market value of HK\$262.3 million were also pledged to secure general banking facilities granted to the Group.

As at 31st December, 2019, 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\$34,193.9 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 31st December, 2019, certain ordinary shares in a listed subsidiary with a market value of HK\$376.8 million were also pledged to secure general banking facilities granted to the Group.

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2020 are shown in the Interim Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2020 are shown in the Interim Financial Statements.

DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2020 (2019 – payment of an interim dividend of HK2.5 cents per ordinary share, absorbing an amount of approximately HK\$27.9 million).

HALF YEAR RESULTS

Condensed Consolidated Statement of Profit or Loss

	Six months ended 30th June, 2020	Six months ended 30th June, 2019
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
REVENUE (Notes 2 & 3)	829.3	1,390.5
Cost of sales	(621.8)	(701.0)
Gross profit	207.5	689.5
Other income and gains, net (Note 3)	50.0	138.2
Fair value gains/(losses) on investment properties, net	(105.9)	28.4
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	(127.9)	135.2
Gains on disposal of subsidiaries	68.9	–
Impairment loss on items of property, plant and equipment	(17.1)	–
Impairment loss on right-of-use assets	(47.1)	–
Impairment loss on properties held for sale	(15.6)	–
Impairment loss on investment in an associate	(30.0)	–
Property selling and marketing expenses	(51.5)	(32.3)
Administrative expenses	(182.3)	(202.2)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION AND AMORTISATION	(251.0)	756.8
Depreciation and amortisation	(315.7)	(311.6)
OPERATING PROFIT/(LOSS) (Note 4)	(566.7)	445.2
Finance costs (Note 5)	(247.9)	(267.5)
Share of profits and losses of associates	1.5	0.2
PROFIT/(LOSS) BEFORE TAX	(813.1)	177.9
Income tax (Note 6)	5.4	(9.1)
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(807.7)	168.8

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

	Six months ended 30th June, 2020 (Unaudited) HK\$'M	Six months ended 30th June, 2019 (Unaudited) HK\$'M
Attributable to:		
Equity holders of the parent	(558.8)	106.3
Non-controlling interests	(248.9)	62.5
	(807.7)	168.8
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	HK(53.61) cents	HK6.05 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30th June, 2020 (Unaudited) HK\$'M	Six months ended 30th June, 2019 (Unaudited) HK\$'M
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(807.7)	168.8
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(62.5)	(2.3)
Reclassification adjustments of exchange equalisation reserve upon disposal of a foreign operation	71.1	–
	8.6	(2.3)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investment designated at fair value through other comprehensive income	248.0	(99.0)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	256.6	(101.3)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(551.1)	67.5
Attributable to:		
Equity holders of the parent	(354.3)	22.8
Non-controlling interests	(196.8)	44.7
	(551.1)	67.5

Condensed Consolidated Statement of Financial Position

	30th June, 2020 (Unaudited) HK\$'M	31st December, 2019 (Audited) HK\$'M
NON-CURRENT ASSETS		
Property, plant and equipment	9,123.3	8,680.1
Investment properties	3,466.7	3,577.6
Right-of-use assets	14,181.4	14,376.6
Properties under development	1,834.4	1,772.1
Investments in associates	558.4	580.7
Equity investment designated at fair value through other comprehensive income	1,985.3	–
Financial assets at fair value through profit or loss	732.9	836.6
Loans receivable	245.8	228.6
Deposits and prepayments	321.5	322.4
Deferred tax assets	47.5	47.5
Goodwill	261.0	261.0
Trademark	610.2	610.2
Other intangible asset	1.3	2.0
Total non-current assets	<u>33,369.7</u>	<u>31,295.4</u>
CURRENT ASSETS		
Properties under development	3,857.2	3,682.4
Properties held for sale	5,646.5	5,904.4
Inventories	68.8	74.2
Loans receivable (Note 10)	221.9	477.7
Debtors, deposits and prepayments (Notes 9 & 11)	595.2	692.7
Financial asset at amortised cost	46.5	–
Financial assets at fair value through profit or loss	842.6	1,588.8
Derivative financial instruments	0.4	3.1
Tax recoverable	5.7	9.5
Restricted cash	368.9	439.2
Pledged time deposits and bank balances	257.2	357.5
Time deposits	605.5	701.1
Cash and bank balances	1,121.4	1,240.6
Total current assets	<u>13,637.8</u>	<u>15,171.2</u>

Condensed Consolidated Statement of Financial Position (Cont'd)

	30th June, 2020 (Unaudited) HK\$'M	31st December, 2019 (Audited) HK\$'M
CURRENT LIABILITIES		
Creditors and accruals (Note 12)	(718.3)	(905.6)
Contract liabilities	(1,740.0)	(1,252.7)
Lease liabilities	(16.6)	(17.5)
Deposits received	(100.2)	(83.6)
Interest bearing bank borrowings	(2,176.1)	(2,482.5)
Derivative financial instruments	(5.7)	–
Tax payable	(131.4)	(190.1)
Total current liabilities	<u>(4,888.3)</u>	<u>(4,932.0)</u>
NET CURRENT ASSETS	<u>8,749.5</u>	<u>10,239.2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>42,119.2</u>	<u>41,534.6</u>
NON-CURRENT LIABILITIES		
Creditors and deposits received	(83.7)	(87.8)
Lease liabilities	(30.6)	(36.9)
Interest bearing bank borrowings	(15,505.1)	(15,365.2)
Other borrowings	(2,706.4)	(2,716.7)
Deferred tax liabilities	(1,874.2)	(1,913.1)
Total non-current liabilities	<u>(20,200.0)</u>	<u>(20,119.7)</u>
Net assets	<u><u>21,919.2</u></u>	<u><u>21,414.9</u></u>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	111.4	111.4
Reserves	13,925.1	13,683.8
	<u>14,036.5</u>	<u>13,795.2</u>
Perpetual securities	1,732.9	1,732.9
Non-controlling interests	6,149.8	5,886.8
Total equity	<u><u>21,919.2</u></u>	<u><u>21,414.9</u></u>

Notes:

1. Accounting Policies

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

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

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value

concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1st January, 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's condensed consolidated financial statements.

2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has 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 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 and interest 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, the provision of housekeeping and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

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

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, 2020		Six months ended 30th June, 2019		Six months ended 30th June, 2020		Six months ended 30th June, 2019		Six months ended 30th June, 2020		Six months ended 30th June, 2019		Six months ended 30th June, 2020		Six months ended 30th June, 2019		Six months ended 30th June, 2020	
	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M
Segment revenue:																		
Sales to external customers	424.4	87.5	4.9	8.0	380.3	1,115.4	-	-	(19.4)	135.0	18.2	25.9	20.9	18.7	-	-	829.3	1,390.5
Intersegment sales	3.6	3.6	22.6	26.4	2.2	2.5	51.0	56.1	-	-	-	-	42.9	58.0	(122.3)	(146.6)	-	-
Total	<u>428.0</u>	<u>91.1</u>	<u>27.5</u>	<u>34.4</u>	<u>382.5</u>	<u>1,117.9</u>	<u>51.0</u>	<u>56.1</u>	<u>(19.4)</u>	<u>135.0</u>	<u>18.2</u>	<u>25.9</u>	<u>63.8</u>	<u>76.7</u>	<u>(122.3)</u>	<u>(146.6)</u>	<u>829.3</u>	<u>1,390.5</u>
Segment results before depreciation and amortisation	(19.1)	95.8	0.4	0.7	(126.5)	413.0	(5.8)	(5.0)	(135.3)	270.0	5.9	17.8	6.7	(2.3)	-	-	(273.7)	790.0
Depreciation and amortisation	(7.9)	(7.0)	(0.2)	(0.2)	(294.3)	(288.3)	(0.4)	(1.1)	-	-	(5.9)	(9.0)	(6.8)	(5.5)	-	-	(315.5)	(311.1)
Segment results	<u>(27.0)</u>	<u>88.8</u>	<u>0.2</u>	<u>0.5</u>	<u>(420.8)</u>	<u>124.7</u>	<u>(6.2)</u>	<u>(6.1)</u>	<u>(135.3)</u>	<u>270.0</u>	<u>-</u>	<u>8.8</u>	<u>(0.1)</u>	<u>(7.8)</u>	<u>-</u>	<u>-</u>	<u>(589.2)</u>	<u>478.9</u>
Unallocated interest income and unallocated non-operating and corporate gains																	90.5	46.5
Unallocated non-operating and corporate expenses																	(68.5)	(80.2)
Finance costs																	(247.4)	(267.5)
Share of profits and losses of associates	7.7	-	-	-	(6.3)	-	-	-	-	-	-	-	0.1	0.2	-	-	1.5	0.2
Profit/(Loss) before tax																	(813.1)	177.9
Income tax																	5.4	(9.1)
Profit/(Loss) for the period before allocation between equity holders of the parent and non-controlling interests																	<u>(807.7)</u>	<u>168.8</u>
Attributable to:																		
Equity holders of the parent																	(558.8)	106.3
Non-controlling interests																	<u>(248.9)</u>	<u>62.5</u>
																	<u>(807.7)</u>	<u>168.8</u>

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

	Six months ended 30th June, 2020 (Unaudited) HK\$'M	Six months ended 30th June, 2019 (Unaudited) HK\$'M
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Proceeds from sale of properties	400.9	46.0
Proceeds from disposal of aircraft held for sale	–	5.9
Hotel operations and management services	344.3	1,077.2
Construction and construction-related income	1.4	5.0
Estate management fees	3.5	3.0
Other operations	20.5	16.6
	<hr/> 770.6	<hr/> 1,153.7
<i>Revenue from other sources</i>		
Rental income:		
Hotel properties	28.2	27.2
Investment properties	29.0	49.2
Aircraft	18.2	20.0
Others	2.3	3.3
Net gain/(loss) from sale of financial assets at fair value through profit or loss	(48.6)	75.0
Gain on settlement of derivative financial instruments	0.2	0.3
Interest income from financial assets at fair value through profit or loss	25.5	52.2
Dividend income from listed investments	3.5	7.5
Other operations	0.4	2.1
	<hr/> 829.3 <hr/>	<hr/> 1,390.5 <hr/>

	Six months ended 30th June, 2020 (Unaudited) HK\$'M	Six months ended 30th June, 2019 (Unaudited) HK\$'M
<u>Other income and gains, net</u>		
Bank interest income	21.4	13.1
Other interest income	11.1	39.2
Dividend income from unlisted investments	16.0	0.1
Gain/(Loss) on disposal of investment properties	(0.7)	10.8
Gain on disposal of items of property, plant and equipment	0.3	–
Recovery of loans receivable	–	73.7
Others	1.9	1.3
	50.0	138.2

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

	Six months ended 30th June, 2020 (Unaudited) HK\$'M	Six months ended 30th June, 2019 (Unaudited) HK\$'M
Profit on disposal of properties	161.7	27.4
Depreciation of property, plant and equipment	165.4	168.4
Depreciation of right-of-use assets	149.6	143.2
Amortisation of intangible asset	0.7	–
	315.7	311.6

5. Finance costs of the Group are as follows:

	Six months ended 30th June, 2020 (Unaudited) HK\$'M	Six months ended 30th June, 2019 (Unaudited) HK\$'M
Interest on bank loans	239.3	231.4
Interest on other borrowings	53.6	54.1
Interest expenses arising from revenue contracts	35.2	9.1
Interest on lease liabilities	0.5	0.8
Amortisation of debt establishment costs	21.9	24.4
Total interest expenses on financial liabilities not at fair value through profit or loss	350.5	319.8
Other loan costs	5.1	5.5
	355.6	325.3
Less: Finance costs capitalised	(107.7)	(57.8)
	247.9	267.5

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

	Six months ended 30th June, 2020 (Unaudited) HK\$'M	Six months ended 30th June, 2019 (Unaudited) HK\$'M
Current – Hong Kong		
Charge for the period	26.2	32.5
Underprovision in prior years	1.2	0.1
Current – Overseas		
Charge for the period	5.3	8.7
Underprovision in prior years	–	0.3
PRC land appreciation tax	0.6	0.5
Deferred	(38.7)	(33.0)
Total tax charge/(credit) for the period	(5.4)	9.1

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

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

The 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.

The share of tax attributable to associates amounting to HK\$1.5 million (2019 – Nil), is included in “Share of profits and losses of associates” in the condensed consolidated statement of profit or loss.

7. Dividend:

	For year ending 31st December, 2020	For year ended 31st December, 2019
	HK\$'M	HK\$'M
Interim – Nil (2019 – HK2.5 cents per ordinary share)	–	27.9

8. The calculation of the basic earnings/(loss) per ordinary share for the period ended 30th June, 2020 is based on the loss for the period attributable to equity holders of the parent of HK\$558.8 million (2019 – profit of HK\$106.3 million), adjusted for the share of distribution related to perpetual securities of the Regal group of HK\$38.7 million (2019 – HK\$38.9 million), and on the weighted average of 1,114.6 million (2019 – 1,114.6 million) ordinary shares of the Company in issue during the period.

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

9. Included in debtors, deposits and prepayments as at 31st December, 2019 were the deposits in an aggregate amount of RMB170 million (HK\$189.6 million) paid in relation to a possible investment by the Cosmopolitan group in a sizeable logistics services provider in the PRC. As further explained in Note 10(a) below, the Cosmopolitan group completed the disposal of its entire interests in the wholly owned subsidiaries that directly and indirectly own the investment deposits on 31st March, 2020.

10. Loans receivable included in current assets are analysed as follows:

	30th June, 2020	31st December, 2019
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
Short term secured loans (Note (a))	–	167.3
Loan note receivable (Note (b))	210.4	210.4
Other secured loans	11.5	100.0
	<hr/>	<hr/>
	221.9	477.7
	<hr/> <hr/>	<hr/> <hr/>

Notes:

(a) On 16th August, 2018, the Cosmopolitan group entered into a deposit agreement (the “Deposit Agreement”) in relation to the possible investment by the Cosmopolitan group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC. Pursuant to the Deposit Agreement, the Cosmopolitan group paid a deposit of RMB70 million (HK\$78.1 million) to the vendor and was granted an exclusivity period of 18 months to conduct bona fide negotiations to settle the terms of the possible investment. Following further negotiations with the vendor, the Cosmopolitan group agreed to increase the deposit under the Deposit Agreement from RMB70 million (HK\$78.1 million) to RMB170 million (HK\$189.6 million). The Cosmopolitan group also granted loan facilities to the target investee group in an aggregate loan amount of RMB150 million (HK\$167.3 million) which were fully utilised as at 31st December, 2019.

The short term secured loans bore interest at 18% to 24% per annum. The deposits and the loan amounts outstanding under the loan facilities were primarily secured by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee group and certain associates of the vendor. The short term secured loans were overdue as at 31st December, 2019.

On 31st December, 2019, the Cosmopolitan group entered into an agreement with another independent purchaser for the disposal of its entire interests in certain wholly owned subsidiaries that directly and indirectly own the investment deposits and loans for a consideration of HK\$400 million, which was determined with reference to the total outstanding amount of those deposits and loans, together with the interest accrued on the loans up to 31st December, 2019. The disposal was completed on 31st March, 2020 and a disposal gain of HK\$68.9 million was recognised for the period ended 30th June, 2020.

- (b) Loan note receivable represents the outstanding consideration in respect of the Group's disposal of 50% equity interest in a subsidiary ("Subsidiary"), which beneficially holds a hotel development project, to an independent third party (the "Hotel Purchaser") in 2019. The loan note receivable is secured by the shares of the Subsidiary held by the Hotel Purchaser and was originally interest-free and repayable on 31st March, 2020. The obligations under the loan note receivable were subsequently novated to a wholly-owned subsidiary of the Hotel Purchaser and the maturity date of such loan note was also subsequently extended to 15th July, 2020.

Subsequent to the end of the reporting period, on 15th July, 2020, the terms of repayment of the loan note were further amended as follows: (i) a sum of HK\$100 million shall be repaid on or before 15th July, 2020; (ii) a sum of HK\$35 million, together with the interest accrued at the rate of 4% per annum shall be repaid on or before 30th April, 2021; and (iii) the remaining balance, together with the interest accrued at the rate of 4% per annum shall be repaid on or before 15th July, 2021 provided that the interest specified in (ii) and (iii) above shall not be payable if the entire amount of the loan note is repaid on or before 30th April, 2021. On 15th July, 2020, HK\$100 million was received by the Group.

11. Included in debtors, deposits and prepayments is an amount of HK\$40.0 million (31st December, 2019 – HK\$83.0 million) representing the trade debtors of the Group. The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2020	31st December, 2019
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
Outstanding balances with ages:		
Within 3 months	22.4	63.9
4 to 6 months	1.2	3.7
7 to 12 months	5.5	7.5
Over 1 year	20.6	16.1
	<hr/>	<hr/>
	49.7	91.2
Impairment	(9.7)	(8.2)
	<hr/>	<hr/>
	40.0	83.0
	<hr/>	<hr/>

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

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

Also included in debtors, deposits and prepayments is an amount of HK\$19.7 million (31st December, 2019 – HK\$13.6 million) in relation to the prepaid commission for sales of properties which is classified as contract costs in accordance with HKFRS 15.

12. Included in creditors and accruals is an amount of HK\$26.6 million (31st December, 2019 – HK\$53.9 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2020	31st December, 2019
	(Unaudited)	(Audited)
	HK\$'M	HK\$'M
Outstanding balances with ages:		
Within 3 months	26.6	53.6
4 to 6 months	–	0.3
	<hr/> 26.6 <hr/>	<hr/> 53.9 <hr/>

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

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

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

REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2020 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditors, whose review report is contained in the Company's interim report for the six months ended 30th June, 2020 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2020, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30th June, 2020, except that:

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

BOARD OF DIRECTORS

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

Executive Directors:

Mr. LO Yuk Sui

(Chairman and Chief Executive Officer)

Mr. Jimmy LO Chun To

(Vice Chairman and Managing Director)

Mr. Donald FAN Tung

(Chief Operating Officer)

Miss LO Po Man

Mr. Kenneth NG Kwai Kai

Mr. Kenneth WONG Po Man

Independent Non-Executive Directors:

Mr. Bowen Joseph LEUNG Po Wing, GBS, JP

Ms. Winnie NG, JP

Hon Abraham SHEK Lai Him, GBS, JP

Mr. WONG Chi Keung

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 25th August, 2020