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

# ANNOUNCEMENT OF 2021 INTERIM RESULTS

## FINANCIAL AND BUSINESS HIGHLIGHTS

| | Six months ended 30th June, 2021 | Six months ended 30th June, 2020 | % Change |
|---|---|---|---|
| | (Unaudited) | (Unaudited) | |
| | HK$'M | HK$'M | |
| **Revenue** | **404.3** | 384.8 | **+5.1%** |
| **Gross profit** | **82.1** | 39.5 | **+107.8%** |
| **Operating profit/(loss) before depreciation, finance costs and tax** | **30.5** | (337.2) | **N/A** |
| **Loss for the period attributable to equity holders of the parent** | **(276.4)** | (853.3) | **-67.6%** |
| **Basic loss per ordinary share attributable to equity holders of the parent** | **HK(37.07) cents** | HK(101.25) cents | **-63.4%** |
| | **As at 30th June, 2021** | **As at 31st Dec, 2020** | |
| | **(Unaudited)** | **(Unaudited)** | |
| **Net asset value per ordinary share attributable to equity holders of the parent** | | | |
| **Book** | **HK$13.85** | HK$14.25 | **-2.8%** |
| **Adjusted*** | **HK$20.45** | HK$20.82 | **-1.8%** |

* compiled, for the purpose of reference, on an adjusted basis to restate the Group's hotel property portfolio in Hong Kong at its market value at 31st December, 2020 and 30th June, 2021, respectively, with the relevant deferred tax liabilities added back

- **For the six months ended 30th June, 2021, the Group recorded an unaudited consolidated loss attributable to shareholders of HK$276.4 million, as compared to the loss of HK$853.3 million for the comparative period in the prior year.**

- **The core hotel businesses of the Group continued to be severely disrupted by the COVID-19 pandemic but with the modified business strategies and the implementation of operational streamlining measures, the Group was able to maintain an overall net operating profit in its hotel operations during the first half of 2021, although the quantum was far below its normal pre-pandemic level.**

- **As there were notable improvements in other business segments covering investments in financial assets and interests in joint ventures, the loss incurred for the interim period of 2021 was substantially lower than that recorded for the comparative period in 2020.**

- **Depreciation charges on the Group's hotel portfolio in Hong Kong for the period amounted to HK$251.1 million which, although not affecting cash flow, have nevertheless adversely impacted the reported results. As a matter of fact, most of the loss incurred by the Group for the period under review could be attributed to these depreciation charges.**

- **Regal Real Estate Investment Trust, a listed subsidiary of the Group, owns a total of nine operating Regal and iclub Hotels in Hong Kong. Except for the iclub Wan Chai Hotel which is self-operated by Regal REIT, the five initial Regal Hotels and the other 3 iclub Hotels are under leases to the Group for hotel operations.**

- **The occupation permit for the Group's second hotel at the Hong Kong International Airport, the Regala Skycity Hotel, developed by a wholly owned subsidiary of the Company was issued in March 2021. A new 4-year Green Loan for this hotel property in an aggregate facility amount of HK$3,100.0 million was most recently concluded with a syndicate of bank lenders. The hotel is planned to be opened for business before the end of this year.**

- **As there were minimal inbound visitors, the hotels in Hong Kong have had to adjust their business strategies to attract additional long stay and staycation businesses from local client sources. On the other hand, the imposed quarantine requirements have also generated businesses for those hotels that have enrolled in the Hong Kong Government's Designated Quarantine Hotel Scheme. Although these businesses have helped to improve room occupancies, the achieved room rates continued to be under pressure due to their different demand characteristics and keen market competition.**

- **To discharge its corporate social responsibility as a corporate citizen to help combat the spread of the pandemic, three of the hotels under leases from Regal REIT, namely, the Regal Airport Hotel, the Regal Oriental Hotel and the iclub Ma Tau Wai Hotel, have enrolled in the Designated Quarantine Hotel Scheme serving as hotels for quarantine purposes since December 2020.**

- **The Mount Regalia in Kau To, Sha Tin is a major residential development undertaken by P&R Holdings Limited, a 50/50 held joint venture with Paliburg Holdings Limited. The development comprises a total of 24 garden houses and 136 apartment units, complemented with car parks and club house facilities. Up to date, a total of 15 garden houses and 43 apartment units have been sold or contracted to be sold for an aggregate gross consideration of about HK$3,354 million. The unsold houses and apartment units, comprising the majority portion of the properties available for sale in this development, will continue to be marketed for sale on a gradual basis.**

- **Only a small proportion of the contracted property sales at Mount Regalia was completed during the first six months of 2021 and the profits accounted for in the results under review. The majority proportion of the contracted sales to-date is still pending completion, with completion dates scheduled within the next one to two years. These remaining contracted sales as well as any future sales will further generate substantial cash flow and profits as and when the sale transactions are completed.**

- **The Group is developing through one of its wholly owned subsidiaries a commercial/residential project named as "The Queens" at No. 160 Queen's Road West, Hong Kong, comprising a total of 130 residential units with club house facilities and commercial accommodations. The presale of the first batch of the residential units was launched in April this year and the project is scheduled to be completed in the second half of 2022.**

- **The Group has recently implemented a series of financing arrangements to consolidate and strengthen its financial position for the long term.**

- **The Group is optimistic that, with the backing of its strong asset base and diversified business platform, it will be able to regain growth momentum soon after the impact of the pandemic subsides.**

## FINANCIAL RESULTS

For the six months ended 30th June, 2021, the Group recorded an unaudited consolidated loss attributable to shareholders of HK$276.4 million, as compared to the loss of HK$853.3 million for the comparative period in the prior year.

As mentioned in the announcement on the Group's financial information update published by the Company on 17th August, 2021, the core hotel businesses of the Group continued to be severely disrupted by the COVID-19 pandemic but with the modified business strategies and the implementation of operational streamlining measures, the Group was able to maintain an overall net operating profit in its hotel operations during the first half of 2021, although the quantum was far below its normal pre-pandemic level. However, as there were notable improvements in other business segments covering investments in financial assets and interests in joint ventures, the loss incurred for the interim period of 2021 was substantially lower than that recorded for the comparative period in 2020.

Moreover, it should be noted that as the Group's hotel properties in Hong Kong are all owned and self-operated by subsidiaries of the Company and classified in the Group's consolidated financial statements as property, plant and equipment and right-of-use assets, they are subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on the Group's hotel portfolio in Hong Kong for the period amounted to HK$251.1 million which, although not affecting cash flow, have nevertheless adversely impacted the reported results. As a matter of fact, most of the loss incurred by the Group for the period under review could be attributed to these depreciation charges.

Having regard to the material difference prevailing between the carrying values of the Group's hotel portfolio in Hong Kong, which are subject to accumulated depreciation charges, and their fair value as at 30th June, 2021, an Adjusted Net Asset Statement is presented in the section headed "Management Discussion and Analysis" in this announcement, which illustrated for the purpose of reference that, if all such hotel properties were to be stated in the Group's financial statements at their independent professional market valuations as at 30th June, 2021, the underlying adjusted net asset value of the Company would amount to HK$20.45 per share.

## BUSINESS OVERVIEW

### HOTELS

### MARKET OVERVIEW

According to a recent research report by the World Bank Group, the global economy is set to expand strongly in 2021. The recovery is, however, uneven and largely reflects the sharp rebounds in some major economies, most notably the United States, owing to substantial fiscal support. Global manufacturing activity has strengthened, with industrial production surpassing its pre-pandemic level, while the services sector activity, especially travel and tourism, remained soft.

According to preliminary estimates, the Gross Domestic Product of China for the first half of 2021 increased by 12.7% year-on-year, which is 5.6 percentage points lower than that of the first quarter of 2021. As the macro policies of the central government of China have been shifting from supporting activity to reducing financial stability risks, future economic growth of China may further moderate.

Benefiting from the improving global economic conditions, there were notable increases in both domestic and external demands for Hong Kong during the period. The seasonally adjusted unemployment rate decreased from 6% in the period from March to May to 5.5% in the period from April to June 2021, which is the fourth consecutive moving three-month period that registered a decline. The underemployment rate also decreased from 2.8% to 2.5% over the same comparative period. Hong Kong's GDP in real terms in the first half of 2021 grew by 7.8% year-on-year, compared with the increase of 8.0% in the first quarter.

During the six months under review, there were only minimal visitors to Hong Kong, with total visitor arrivals, including those from Mainland China, having dropped by 99.0% year-on-year. Based on 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, 2021 was 56.0%, an increase of 17 percentage points year-on-year, but the average achieved room rate shrank by 8.4%. Although the average Revenue per

Available Room (RevPAR) for the period has consequently increased by 31.7% year-on-year, this reflected to a very large extent the effect of the low comparative base in 2020.

**HOTEL OWNERSHIP**

The occupation permit for the Group's second hotel at the Hong Kong International Airport, the Regala Skycity Hotel, developed by a wholly owned subsidiary of the Company under a sublease from the Airport Authority was issued in March 2021. This new hotel embraces a wide range of sustainable features in its building design, construction and operation and was awarded Gold Rating under Provisional Assessment of BEAM Plus Certification. A new 4-year Green Loan for this hotel property in an aggregate facility amount of HK$3,100.0 million was most recently concluded with a syndicate of bank lenders. The hotel is planned to be opened for business before the end of this year.

The design and planning programme for the renovation of an existing property owned by the Group in London, the United Kingdom, into a hotel is being refined and the renovation works are now anticipated to be commenced in the first quarter of 2022. The new hotel will be self-operated by the Group upon completion of the renovation works.

The lessee of the hotel that the Group owns in Barcelona, Spain continues to be in default under the lease. The Group has commenced legal proceedings against the lessee to enforce its rights under the lease agreement, including recovery of possession.

**REGAL REAL ESTATE INVESTMENT TRUST**

The Group holds 74.9% of the outstanding units of Regal REIT and Regal Portfolio Management Limited, a wholly owned subsidiary of the Company, acts as the REIT Manager.

For the six months ended 30th June, 2021, Regal REIT recorded an unaudited consolidated loss before distribution to Unitholders of HK$74.5 million, as compared to the loss of HK$2,096.2 million for the corresponding period in 2020. The loss recorded for the interim period was principally attributable to the reduction of HK$213.1 million in the fair value of Regal REIT's investment property portfolio, based on the market valuations appraised by its principal valuer as of 30th June, 2021, as compared to the appraised value as of 31st December,

2020. For the corresponding period last year, a fair value loss of HK$2,288.2 million was recorded. If these fair value changes are excluded, the core operating profit before distribution to its unitholders for the interim period would amount to HK$138.6 million, as compared to HK$192.0 million for the same period in 2020.

Regal REIT is the listed subsidiary of the Company through which all of the Group's hotels operating in Hong Kong are held. With the exception of the iclub Wan Chai Hotel which is self-operated by Regal REIT, all the other eight hotels, including five Regal Hotels and 3 other iclub Hotels, have been leased by Regal REIT to Favour Link International Limited, a wholly owned subsidiary of the Company, for hotel operations.

Subsequent to the interim period, in early August 2021, Regal REIT concluded a new 5-year financing facility with a syndicate of banks, which is comprised of a term loan of HK$4,500.0 million and a revolving loan of up to HK$500.0 million and secured on four Regal Hotels. The new term loan will be wholly used to repay the existing term loan facility owing by Regal REIT in the same principal amount that matures in September 2021. The new revolving loan facility will be reserved for its general corporate funding purposes.

**HOTEL OPERATIONS**

As mentioned above, the Group's hotel operation business, which is operated through Favour Link, continued to be severely disrupted by the COVID-19 pandemic. Total revenue (including rental income) from the business operation of all the five Regal Hotels and four iclub Hotels in the first six months of 2021 amounted to HK$336.1 million (2020 – HK$361.1 million). Through the implementation of operational streamlining measures, these hotels have nevertheless managed to achieve an overall gross operating profit of HK$20.6 million during this interim period, a modest improvement over the HK$16.3 million attained in the comparative period in 2020.

As there were minimal inbound visitors, the hotels in Hong Kong have had to adjust their business strategies to attract additional long stay and staycation businesses from local client sources. On the other hand, the imposed quarantine requirements have also generated businesses for those hotels that have enrolled in the Hong Kong Government's Designated Quarantine Hotel Scheme. Although these businesses have helped to improve room occupancies, the achieved room rates continued to be under pressure due to their different demand characteristics and keen market competition.

During the interim period, the combined average occupancy of the five Regal Hotels was 47.5%, compared to 37.4% for the same period last year, while their combined average room rate decreased by 32.0%. Consequently, their combined average RevPAR has dropped by 13.7% year-on-year.

Apart from the five Regal Hotels, three other iclub hotels, namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, have also been leased by Regal REIT to Favour Link for hotel operations. During the interim period, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel attained a combined average occupancy of 72.8%, an increase of 5.3 percentage points as compared to the corresponding period in 2020. As their combined average room rate was only 0.8% below the level for the same period last year, their combined average RevPAR improved by 7.0% year-on-year.

As for the iclub Ma Tau Wai Hotel, it was acquired by Regal REIT from P&R Holdings Limited, a 50/50 joint venture between the Group and Paliburg Holdings Limited, the immediate listed parent of the Company, in 2017. Under the arrangement agreed with P&R Holdings, Favour Link as the lessee of this hotel is entitled to reimbursement from P&R Holdings annually for any deficit between the rental expenses and the net property income from the business operation of the hotel within the initial 5 years of the lease term.

To discharge its corporate social responsibility as a corporate citizen to help combat the spread of the pandemic, three of the hotels under leases from Regal REIT, namely, the Regal Airport Hotel, the Regal Oriental Hotel and the iclub Ma Tau Wai Hotel, have enrolled in the Designated Quarantine Hotel Scheme serving as hotels for quarantine purposes since December 2020.

**HOTEL MANAGEMENT**

Regal Hotels International Limited, the wholly owned management arm of the Group, is the hotel manager managing all the five Regal Hotels and six iclub Hotels operating in Hong Kong, including the iclub Mong Kok Hotel wholly owned by P&R Holdings and the iclub AMTD

Sheung Wan Hotel which is 50% owned by P&R Holdings and officially opened in November 2020. The Regala Skycity Hotel, which is planned to be opened for business before the end of this year, will be the next major addition to the management portfolio of Regal Hotels International in Hong Kong.

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

## PROPERTIES

Despite the impact of the pandemic and the political and economic disputes affecting Hong Kong, the real estate market in Hong Kong was resilient. Due to the apparent imbalance between demand and supply, the pent-up demand for different types of residential properties remained strong. Transaction volume of residential properties, including both primary and secondary market transactions, was robust in the first half of 2021, with property prices slowly edging towards historical heights. Meanwhile, benefiting from the reviving economy in Hong Kong, the mass vaccine rollout and the easing of restriction measures, the other sectors of the local real estate market, including the retail and commercial sectors, also recovered gradually during this interim period.

The Mount Regalia in Kau To, Sha Tin is a major residential development undertaken by P&R Holdings. The development has a total of 24 garden houses and 136 apartment units, complemented with car parks and club house facilities. This development has 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. Property sales of this development have progressed steadily and, up to date, a total of 15 garden houses and 43 apartment units have been sold or contracted to be sold. The unsold houses and apartment units, comprising the majority portion of the properties available for sale in this development, will continue to be marketed for sale on a gradual basis.

Only a small proportion of the contracted property sales at Mount Regalia was completed during the first six months of 2021 and the profits accounted for in the results under review. The majority proportion of the contracted sales to-date is still pending completion, with completion dates scheduled within the next one to two years. These remaining contracted sales as well as any future sales will further generate substantial cash flow and profits as and when the sale transactions are completed. In the meantime, a small number of units are reserved for rental purposes.

The Group is developing through one of its wholly owned subsidiaries a commercial/residential project named as "The Queens" at No. 160 Queen's Road West, Hong Kong, comprising a total of 130 residential units with club house facilities and commercial accommodations. The presale of the first batch of the residential units was launched in April this year and the project is scheduled to be completed in the second half of 2022.

Further detailed information on the Group's development projects and properties, including the garden houses retained in Regalia Bay, Stanley, another commercial/residential project at Hai Tan Street, Shum Shui Po, a renovation for sale project in Lisbon, Portugal, and the Group's financial assets and other investments as well as those other projects undertaken by P&R Holdings and its listed subsidiary, Cosmopolitan International Holdings Limited, is contained in the "Management Discussion and Analysis" section.

## AIRCRAFT OWNERSHIP AND LEASING

At present, the Group owns a fleet of 3 Airbus passenger aircraft, which are on operating leases with 2 different airline operators in Europe. The global coronavirus pandemic has severely affected air passenger traffic, which put some airline operators under financial pressures. The leases for the two aircraft leased to a major airline operator are running on normal terms but the lessee of the other aircraft continued to be in payment defaults under the lease. The Group is now working closely with the professional aircraft manager on possible sale or re-lease situations for this aircraft.

## OUTLOOK

While the international trade disputes and geopolitical tensions continue to heighten, the outlook for the global economy in the second half of this year is still crowded with uncertainties. Moreover, the Delta variant is causing renewed fears in many countries in the world, as an increasing number of cases infected with this variant is identified in their local communities. On a positive note, vaccination rates are stepping up at a steady pace in many major countries, including Mainland China, which should provide prospects for relief in the future.

Riding on the economic recovery achieved in the first six months, the Government of Hong Kong has recently implemented a relief measure, among other key supportive measures, to distribute a total of HK$36 billion consumption vouchers to eligible residents in Hong Kong, which should help boost local consumption in the second half of 2021. In the past few months, Hong Kong has been able to successfully contain the spread of the COVID-19 pandemic in the local community. The Government of Hong Kong has also been urging its citizens to participate in its vaccination programme, with a view to achieving herd immunity within the shortest possible time, in order for all social and economic activities to be able to return to normal.

As far as Regal REIT is concerned, rental income for the second half of 2021 will remain stable, as substantially all of the hotels within its property portfolio are under leases with pre-determined annual base rents or fixed rent. The REIT Manager is still positive on the future prospects of Hong Kong and believes that once the borders reopen and the national and international traffic resumes, the tourist and hospitality sectors in Hong Kong should be able to gradually revive.

The Group has recently implemented a series of financing arrangements to consolidate and strengthen its financial position for the long term. The Group is optimistic that, with the backing of its strong asset base and diversified business platform, it will be able to regain growth momentum soon after the impact of the pandemic subsides.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group's significant investments and principal business activities mainly 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 investments including financial assets investments.

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

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

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

### Hong Kong

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

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

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

The hotel will be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses, which is planned to be opened for business before the end of 2021.

*The Queens, No.160 Queen's Road West, Hong Kong*

The project has a combined site area of 682 square metres (7,342 square feet) and is being developed into a commercial/residential development with gross floor area of about 5,826 square metres (62,711 square feet). The project will have a total of 130 residential units with club house facilities on the second floor and commercial accommodations on the ground and first floors. The foundation works have been completed and the superstructure works are in progress. The project is expected to be completed in 2022. Presale of some of the residential units was launched in April 2021 and marketing and sale activities are continuing.

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

The properties presently comprise 100% ownership interests of Nos.227-227A of Hai Tan Street and interests in over 80% undivided shares of Nos.227B-227C of Hai Tan Street. The properties have a total site area of 431 square metres (4,644 square feet) and are intended for a commercial/residential development. Requisite process for the acquisition of the remaining undivided shares of the relevant properties is under preparation.

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

Since the last balance sheet date, the Group has contracted to sell 3 garden houses in Regalia Bay at satisfactory prices. Presently, the Group still retains a total of 9 garden houses in Regalia Bay with total gross area of about 4,178 square metres (44,972 square feet), 3 of which are held as investment properties, 3 as held for sale and 3 as property, plant and equipment and right-of-use assets. The Group will continue to dispose of some of these remaining houses if the prices offered are considered satisfactory.

**Overseas**

*Campus La Mola, Barcelona, Spain*

This hotel property has a total of 186 rooms and was acquired by the Group in 2014. The hotel was formerly self-operated by the Group and was later leased to an independent third party under a lease agreement in September 2017. The lessee continues to be in default on rental payments under the lease and the Group has commenced legal proceedings against the lessee to enforce its rights under the lease agreement, including recovery of possession.

*41 Kingsway, London WC2B 6TP, the United Kingdom*

This is a freehold existing property located at a prime location in London, which the 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 and planning programme for the renovation of this property into a hotel with a restaurant is being refined and the renovation works are now anticipated to be commenced in the first quarter of 2022. The hotel will be self-operated by the Group on completion of the renovation works.

*Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal*

The Group has recently acquired the remaining 10% equity interest from the other shareholder and now wholly owns 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. There have been some delays due to the coronavirus pandemic and project completion is now expected to be in the fourth quarter of 2021. This property project is intended for sale.

**JOINT VENTURE – P&R HOLDINGS LIMITED**

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

Further information relating to the property development projects being undertaken and properties owned by the P&R Holdings group in Hong Kong (which, unless otherwise denoted, are all wholly owned by the P&R Holdings group) is set out below:

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

With the exception of 1 unit, all the units in the apartment block, named Domus, had been sold. The garden houses comprised within this development are named as Casa Regalia. At present, 9 houses in Casa Regalia are still being retained, which are planned to be disposed of on a gradual basis but some of them may in the meantime be retained for rental income.

*We Go MALL, No.16 Po Tai Street, Ma On Shan, Sha Tin, New Territories*
This development has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. This shopping mall was opened for business in 2018 and is held for rental income.

Although the rental rates on new leasings and lease renewals during the period have been affected by the adverse impact brought about by the pandemic, the overall leasing status of this shopping mall remained stable.

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

This is a joint venture project undertaken pursuant to a tender award by the Urban Renewal Authority of Hong Kong in 2014. The land has a site area of 824.9 square metres (8,879 square feet) and has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement carparks. The project was completed in 2018 and the residential units have all been sold. An agreement for the sale of 1 shop unit and 1 carpark was recently entered into subsequent to the interim period. The remaining shops and carparks will continue to be marketed for sale.

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

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

This development has 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.

The sale programme commenced in early 2019 and, up to date, 15 garden houses and 43 apartment units together with 75 car parks have been sold or contracted to be sold for aggregate gross consideration of about HK$3,354 million, at relatively attractive prices as compared to the development costs. Only a small proportion of the contracted property sales at Mount Regalia was completed during the first six months of 2021 and the profits accounted for in the results under review. As at 30th June, 2021, the contracted sales for 10 houses and 24 apartment units with an aggregate gross consideration of about HK$1,960 million are still pending completion, with completion dates scheduled within the next one to two years. These remaining contracted sales as well as any future sales will further generate substantial cash flow and profits as and when the sale transactions are completed. In the meantime, a small number of units are reserved for rental purposes.

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

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

The project has been developed into a 20-storey hotel, comprising 288 guestrooms with ancillary facilities. The hotel was opened for business in March 2019 and the legal title to the property 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 Group providing the hotel management services.

*iclub AMTD Sheung Wan Hotel, No.5 Bonham Strand West, Sheung Wan, Hong Kong*

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and has been developed into a hotel with 98 guestrooms and suites (total 162 room bays), with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet).

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

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

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

*Nos.291-293 and 301-303 Castle Peak Road, Cheung Sha Wan, Kowloon*
The properties presently comprise interests in over 80% undivided shares of Nos.291-293 Castle Peak Road and 100% ownership interests of Nos.301-303 Castle Peak Road. The properties have a total site area of 488 square metres (5,260 square feet) and are intended for a 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, subject to final approval by relevant government authorities.

**COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED**

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

**Property Development**

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

The superstructure and fitting-out works for the third stage of the development, consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces, are in steady progress and targeted to be completed before the end of 2021. Nearly all of the residential units 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. Total sales proceeds amount to approximately RMB2,031.3 million (HK$2,443.0 million), of which approximately RMB1,986.1 million (HK$2,388.7 million) have been received by the Cosmopolitan group as deposits under the presale contracts.

The residential units are planned to be delivered to the respective unit purchasers in stages beginning from the fourth quarter of this year.

Presale of the shops in the third stage of about 2,350 square metres (25,300 square feet) has been launched in July 2020. Up to date, a total of 1,853 square meters (19,900 square feet) of shops have been presold under contracts, at aggregate sale considerations of approximately RMB65.0 million (HK$78.2 million). Presale of 1,389 car parking spaces has also been launched in the third quarter of 2020. Up to date, a total of 277 car parking spaces have been presold under contracts, for aggregate sales proceeds of approximately RMB31.8 million (HK$38.2 million).

The interior design works with a revised scheme for the 325-room hotel are progressing in full swing. The interior fitting-out works are scheduled to commence in the first quarter of 2022 and the hotel is anticipated to open in phases from the first quarter of 2023.

The construction works of the remaining commercial components within the development, comprising a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) are in steady progress. The substructure and superstructure works are targeted to be completed in the fourth quarter of 2021 and mid-2023, respectively. The market repositioning works of the six-storey shopping mall are in progress. The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 20,000 square metres (215,200 square feet), has commenced in May 2021. Up to date, a total of 88 units with a total of about 3,837 square meters (41,300 square feet) have been presold under contracts or subscribed by prospective purchasers for an aggregate sale consideration of RMB34.6 million (HK$41.6 million). The presale of the remaining four office towers consisting of 1,356 units with a total of about 66,000 square metres (710,500 square feet) will follow in phases with reference to the market environment.

*Tianjin Project – Regal Renaissance*

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

Nearly all of the residential units have been sold. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing steadily and sale contracts 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 with a total of about 17,530 square metres (188,700 square feet) is planned to be launched in the second half of 2021. The presale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), will be launched in phases thereafter. The market positioning works for the commercial podium are in progress.

*Xinjiang Project*

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

The Cosmopolitan group continues to maintain the 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 the relevant re-forestation contract remain valid and effective.

**FINANCIAL ASSETS AND OTHER INVESTMENTS**

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, private equities, bonds as well as treasury and yield enhancement products. Despite the disruption in the global economy caused by the pandemic, the capital markets worldwide have gradually recovered during the period under review. Benefiting from this relatively favourable environment, the Group has been able to secure improved results in the investment business segment in the first six months of 2021, as compared with the corresponding period last year.

## FINANCIAL REVIEW

### ASSETS VALUE

The Group's hotel properties in Hong Kong owned by Regal REIT, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, were stated in the financial statements at their fair values as at 23rd July, 2010 when Regal REIT became a subsidiary of the Group, plus subsequent capital additions and deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel were stated in the Group's financial statements at their fair values at the time of acquisition net of the unrealised gain attributable to the Group and are also subject to depreciation and impairment. For the purpose of providing supplementary information, if the Group's entire hotel property portfolio in Hong Kong is restated in the condensed consolidated financial statements at market value as at 30th June, 2021, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$20.45 per share, computed as follows:

| | As at 30th June, 2021 | |
|---|---|---|
| | HK$'M | HK$ per ordinary share |
| **Book net assets attributable to equity holders of the parent** | **12,447.8** | **13.85** |
| **Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities** | **5,934.3** | **6.60** |
| **Unaudited adjusted net assets attributable to equity holders of the parent** | **18,382.1** | **20.45** |

## CAPITAL RESOURCES AND FUNDING

### Funding and Treasury Policy

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

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

### Cash Flows

During the period under review, there were net cash flows used in operating activities of HK$115.4 million (2020 – net cash flows generated from operating activities of HK$481.7 million). Net interest payment for the period amounted to HK$64.8 million (2020 – HK$134.2 million).

### Borrowings and Gearing

As at 30th June, 2021, the Group had cash and bank balances and deposits of HK$3,079.3 million (31st December, 2020 – HK$2,748.8 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$12,956.8 million (31st December, 2020 – HK$13,264.7 million).

As at 30th June, 2021, the gearing ratio of the Group was 40.4% (31st December, 2020 – 40.9%), representing the Group's borrowings, net of cash and bank balances and deposits, of

HK$12,956.8 million (31st December, 2020 – HK$13,264.7 million), as compared to the total assets of the Group of HK$32,037.6 million (31st December, 2020 – HK$32,459.3 million).

On the basis of the adjusted total assets as at 30th June, 2021 of HK$39,794.1 million (31st December, 2020 – HK$40,176.7 million) with the Group's hotel portfolio in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 32.6% (31st December, 2020 – 33.0%).

As at 30th June, 2021, the Group had net current liabilities of HK$3,388.6 million (31st December, 2020 – HK$3,792.7 million), with certain bank and other borrowings due to mature or to be repaid in the second half of the financial year ending 31st December, 2021. In February 2021, the Group joined in a refinancing with a syndicate of bank lenders for a 3-year term facility in an aggregate facility amount of HK$4,125.0 million secured on the Mount Regalia properties, of which HK$1,125.0 million was made directly available to the Group as a revolving loan facility.

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

Details of the maturity profile of the borrowings of the Group as of 30th June, 2021 are shown in the condensed consolidated financial statements contained in the interim report for the six months ended 30th June, 2021 of the Company ("Interim Financial Statements") to be published on or before 30th September, 2021.

**Lease Liabilities**

As at 30th June, 2021, the Group had lease liabilities of HK$20.7 million (31st December, 2020 – HK$27.8 million).

**Pledge of Assets**

As at 30th June, 2021, the Group's properties held for sale and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, financial assets at fair value through profit or loss, derivative financial instruments, time deposits and bank balances in the total amount of HK$21,160.1 million (31st December, 2020 – HK$21,288.1 million) were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

**Capital Commitments**

Details of the capital commitments of the Group as at 30th June, 2021 are shown in the Interim Financial Statements.

**Contingent Liabilities**

Details of the contingent liabilities of the Group as at 30th June, 2021 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, 2021 (2020 – Nil).

# HALF YEAR RESULTS

**Condensed Consolidated Statement of Profit or Loss**

| | Six months ended 30th June, 2021 (Unaudited) HK$'M | Six months ended 30th June, 2020 (Unaudited) HK$'M |
|---|---|---|
| REVENUE (Notes 2 & 3) | **404.3** | 384.8 |
| Cost of sales | **(322.2)** | (345.3) |
| Gross profit | **82.1** | 39.5 |
| Other income and gains (Note 3) | **56.5** | 95.3 |
| Fair value gains/(losses) on financial assets at fair value through profit or loss, net | **37.1** | (306.5) |
| Fair value gains/(losses) on investment properties, net | **4.3** | (51.8) |
| Impairment loss on items of property, plant and equipment | **(30.4)** | (10.1) |
| Property selling and marketing expenses | **(8.4)** | (0.6) |
| Administrative expenses | **(110.7)** | (103.0) |
| OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION | **30.5** | (337.2) |
| Depreciation | **(269.3)** | (261.3) |
| OPERATING LOSS (Note 4) | **(238.8)** | (598.5) |
| Finance costs (Note 5) | **(132.4)** | (178.7) |
| Share of profits and losses of: | | |
| A joint venture | **71.1** | (76.5) |
| Associates | **(1.2)** | 0.2 |
| LOSS BEFORE TAX | **(301.3)** | (853.5) |
| Income tax (Note 6) | **7.4** | (6.0) |
| LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | **(293.9)** | (859.5) |

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

| | Six months ended 30th June, 2021 (Unaudited) HK$'M | Six months ended 30th June, 2020 (Unaudited) HK$'M |
|---|---|---|
| Attributable to: | | |
| Equity holders of the parent | **(276.4)** | (853.3) |
| Non-controlling interests | **(17.5)** | (6.2) |
| | **(293.9)** | (859.5) |
| LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8) | | |
| Basic and diluted | **HK(37.07) cents** | HK(101.25) cents |

## Condensed Consolidated Statement of Comprehensive Income

| | Six months ended 30th June, 2021 | Six months ended 30th June, 2020 |
|---|---|---|
| | **(Unaudited)** | **(Unaudited)** |
| | **HK$'M** | **HK$'M** |
| LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | **(293.9)** | (859.5) |
| 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 | **6.7** | (23.1) |
| Share of other comprehensive income of: | | |
| A joint venture | **3.0** | 11.4 |
| Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods | **9.7** | (11.7) |
| Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods: | | |
| Share of other comprehensive income/(loss) of: | | |
| A joint venture | **(34.9)** | 1,155.5 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | **(25.2)** | 1,143.8 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | **(319.1)** | 284.3 |
| Attributable to: | | |
| Equity holders of the parent | **(308.8)** | 290.5 |
| Non-controlling interests | **(10.3)** | (6.2) |
| | **(319.1)** | 284.3 |

**Condensed Consolidated Statement of Financial Position**

| | 30th June, 2021 | 31st December, 2020 |
|---|---|---|
| | (Unaudited) | (Audited) |
| | HK$'M | HK$'M |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | **8,646.6** | 8,596.5 |
| Investment properties | **901.0** | 900.6 |
| Right-of-use assets | **10,802.7** | 10,917.3 |
| Properties under development | **444.9** | 444.3 |
| Investments in joint ventures | **3,474.7** | 4,010.1 |
| Investments in associates | **10.1** | 11.3 |
| Financial assets at fair value through profit or loss | **654.7** | 743.6 |
| Debtors and deposits (Note 9) | **89.4** | 77.3 |
| Deferred tax assets | **48.2** | 50.1 |
| Total non-current assets | **25,072.3** | 25,751.1 |
| CURRENT ASSETS | | |
| Properties under development | **968.3** | 927.2 |
| Properties held for sale | **241.0** | 240.2 |
| Inventories | **24.2** | 25.2 |
| Debtors, deposits and prepayments (Note 9) | **273.8** | 282.1 |
| Financial assets at fair value through profit or loss | **2,015.4** | 1,941.1 |
| Other loans | **357.3** | 535.9 |
| Derivative financial instruments | **1.5** | – |
| Tax recoverable | **4.5** | 7.7 |
| Restricted cash | **88.7** | 88.5 |
| Pledged time deposits and bank balances | **225.7** | 311.3 |
| Time deposits | **705.8** | 81.9 |
| Cash and bank balances | **2,059.1** | 2,267.1 |
| Total current assets | **6,965.3** | 6,708.2 |

**Consolidated Statement of Financial Position (Cont'd)**

| | 30th June, 2021 (Unaudited) HK$'M | 31st December, 2020 (Audited) HK$'M |
|---|---|---|
| CURRENT LIABILITIES | | |
| Creditors, deposits received and accruals (Note 10) | **(272.7)** | (274.7) |
| Contract liabilities | **(97.8)** | (53.6) |
| Lease liabilities | **(11.3)** | (12.0) |
| Interest bearing bank borrowings | **(7,250.7)** | (7,426.3) |
| Other borrowing | **(2,690.3)** | (2,707.0) |
| Tax payable | **(31.1)** | (27.3) |
| Total current liabilities | **(10,353.9)** | (10,500.9) |
| NET CURRENT LIABILITIES | **(3,388.6)** | (3,792.7) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | **21,683.7** | 21,958.4 |
| NON-CURRENT LIABILITIES | | |
| Creditors and deposits received (Note 10) | **(105.3)** | (104.5) |
| Lease liabilities | **(9.4)** | (15.8) |
| Interest bearing bank borrowings | **(6,095.1)** | (5,880.2) |
| Deferred tax liabilities | **(774.2)** | (801.8) |
| Total non-current liabilities | **(6,984.0)** | (6,802.3) |
| Net assets | **14,699.7** | 15,156.1 |
| EQUITY | | |
| **Equity attributable to equity holders of the parent** | | |
| Issued capital | **89.9** | 89.9 |
| Reserves | **12,357.9** | 12,716.3 |
| | **12,447.8** | 12,806.2 |
| **Perpetual securities** | **1,732.9** | 1,732.9 |
| **Non-controlling interests** | **519.0** | 617.0 |
| Total equity | **14,699.7** | 15,156.1 |

Notes:

1. Accounting Policies

The condensed consolidated financial statements for the six months ended 30th June, 2021 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2020, 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, 2021.

The Group had a net loss attributable to owners of the parent of HK$276.4 million (2020 – HK$853.3 million) for the six months ended 30th June, 2021 and net current liabilities of HK$3,388.6 million (31st December, 2020 – HK$3,792.7 million) and net assets of HK$14,699.7 million (31st December, 2020 – HK$15,156.1 million) as at 30th June, 2021. The Group had total non-pledged time deposits, cash and bank balances of HK$2,764.9 million as at 30th June, 2021 (31st December, 2020 – HK$2,349.0 million). The Group also had net cash flows used in operating activities of HK$115.4 million for the six months ended 30th June, 2021 (2020 – net cash flows generated from operating activities of HK$481.7 million).

The condensed consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 30th June, 2021, after taking into consideration the following:

(i) the estimated cash flows of the Group for the next twelve months from the end of the reporting period;
(ii) the available unutilised banking facilities of the Group; and
(iii) the refinancing concluded subsequent to the reporting period for certain interest bearing bank borrowings that are secured by certain properties as disclosed in the

section headed “Management Discussion and Analysis” above in this results announcement.

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

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

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the Euro Interbank Offered Rate as at 30th June, 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

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

2. Operating Segment Information

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

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

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

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

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

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

(f) the others segment mainly comprises sale of food products, operation and management of restaurants, operation of security storage lounge 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.

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

| | Hotel operation and management and hotel ownership | | Asset management | | Property development and investment | | Financial assets investments | | Aircraft ownership and leasing | | Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Six months ended 30th June, | | Six months ended 30th June, | | Six months ended 30th June, | | Six months ended 30th June, | | Six months ended 30th June, | | Six months ended 30th June, | | Six months ended 30th June, | | Six months ended 30th June, | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (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 |
| Segment revenue: | | | | | | | | | | | | | | | | |
| Sales to external customers | 338.9 | 369.4 | - | - | 5.1 | 5.5 | 22.6 | (18.9) | 15.7 | 18.2 | 22.0 | 10.6 | - | - | 404.3 | 384.8 |
| Intersegment sales | 2.3 | 2.2 | 42.5 | 51.0 | 2.5 | 2.5 | - | - | - | - | 53.0 | 42.9 | (100.3) | (98.6) | - | - |
| Total | 341.2 | 371.6 | 42.5 | 51.0 | 7.6 | 8.0 | 22.6 | (18.9) | 15.7 | 18.2 | 75.0 | 53.5 | (100.3) | (98.6) | 404.3 | 384.8 |
| Segment results before depreciation | (10.6) | (50.7) | (6.4) | (5.8) | 37.1 | 39.1 | 64.6 | (310.5) | (19.6) | 5.9 | 3.9 | 3.0 | - | - | 69.0 | (319.0) |
| Depreciation | (258.9) | (250.0) | - | (0.4) | (2.9) | (3.3) | - | - | (5.8) | (5.9) | (1.7) | (1.7) | - | - | (269.3) | (261.3) |
| Segment operating results | (269.5) | (300.7) | (6.4) | (6.2) | 34.2 | 35.8 | 64.6 | (310.5) | (25.4) | - | 2.2 | 1.3 | - | - | (200.3) | (580.3) |
| Unallocated interest income and unallocated non-operating and corporate gains | | | | | | | | | | | | | | | 5.7 | 13.2 |
| Unallocated non-operating and corporate expenses, net | | | | | | | | | | | | | | | (44.4) | (31.9) |
| Finance costs (other than interest on lease liabilities) | | | | | | | | | | | | | | | (132.2) | (178.2) |
| Share of profits and losses of: | | | | | | | | | | | | | | | | |
| A joint venture | - | - | - | - | 71.1 | (76.5) | - | - | - | - | - | - | - | - | 71.1 | (76.5) |
| Associates | - | - | - | - | (0.6) | 0.1 | - | - | - | - | (0.6) | 0.1 | - | - | (1.2) | 0.2 |
| Loss before tax | | | | | | | | | | | | | | | (301.3) | (853.5) |
| Income tax | | | | | | | | | | | | | | | 7.4 | (6.0) |
| Loss for the period before allocation between equity holders of the parent and non-controlling interests | | | | | | | | | | | | | | | (293.9) | (859.5) |
| Attributable to: | | | | | | | | | | | | | | | | |
| Equity holders of the parent | | | | | | | | | | | | | | | (276.4) | (853.3) |
| Non-controlling interests | | | | | | | | | | | | | | | (17.5) | (6.2) |
| | | | | | | | | | | | | | | | (293.9) | (859.5) |

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

| | Six months ended 30th June, 2021 (Unaudited) HK$'M | Six months ended 30th June, 2020 (Unaudited) HK$'M |
|---|---|---|
| <u>Revenue</u> | | |
| *Revenue from contracts with customers* | | |
| Hotel operations and management services | **309.6** | 333.5 |
| Other operations | **24.3** | 12.8 |
| *Revenue from other sources* | | |
| Rental income: | | |
| Hotel properties | **27.8** | 28.2 |
| Investment properties | **2.5** | 9.2 |
| Aircraft | **15.7** | 18.2 |
| Others | **1.4** | 1.4 |
| Gain/(Loss) from sale of financial assets at fair value through profit or loss, net | **14.7** | (47.3) |
| Gain on settlement of derivative financial instruments, net | **0.3** | 0.2 |
| Interest income from financial assets at fair value through profit or loss | **4.6** | 25.5 |
| Dividend income from listed investments | **3.0** | 2.7 |
| Other operations | **0.4** | 0.4 |
| | **404.3** | 384.8 |

| | Six months ended 30th June, 2021 | Six months ended 30th June, 2020 |
|---|---|---|
| | **(Unaudited)** | **(Unaudited)** |
| | **HK$'M** | **HK$'M** |
| <u>Other income and gains</u> | | |
| Bank interest income | **3.9** | 12.9 |
| Other interest income | **46.6** | 66.0 |
| Dividend income from unlisted investments | **17.5** | 16.0 |
| Gain/(Loss) on disposal of unlisted investments included in financial assets at fair value through profit or loss | **(12.9)** | 0.3 |
| Others | **1.4** | 0.1 |
| | **56.5** | 95.3 |

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

| | Six months ended 30th June, 2021 | Six months ended 30th June, 2020 |
|---|---|---|
| | **(Unaudited)** | **(Unaudited)** |
| | **HK$'M** | **HK$'M** |
| Depreciation of property, plant and equipment | **154.0** | 144.1 |
| Depreciation of right-of-use assets | **115.3** | 117.2 |
| | **269.3** | 261.3 |

5. Finance costs of the Group are as follows:

| | **Six months ended 30th June, 2021** | **Six months ended 30th June, 2020** |
|---|---|---|
| | **(Unaudited)** | **(Unaudited)** |
| | **HK$'M** | **HK$'M** |
| Interest on bank loans | **79.4** | 169.4 |
| Interest on other borrowing | **53.3** | 53.6 |
| Interest on lease liabilities | **0.2** | 0.5 |
| Amortisation of debt establishment costs | **17.6** | 16.1 |
| Total interest expenses on financial liabilities not at fair value through profit or loss | **150.5** | 239.6 |
| Other loan costs | **4.1** | 4.5 |
| | **154.6** | 244.1 |
| Less: Finance costs capitalised | **(22.2)** | (65.4) |
| | **132.4** | 178.7 |

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

| | **Six months ended 30th June, 2021** | **Six months ended 30th June, 2020** |
|---|---|---|
| | **(Unaudited)** | **(Unaudited)** |
| | **HK$'M** | **HK$'M** |
| Current – Hong Kong | | |
| Charge for the period | **17.7** | 26.1 |
| Current – Overseas | | |
| Underprovision in prior years | **–** | 0.5 |
| Deferred | **(25.1)** | (20.6) |
| Total tax charge/(credit) for the period | **(7.4)** | 6.0 |

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

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

The share of tax attributable to a joint venture amounting to HK$0.8 million (2020 – HK$3.1 million) is included in "Share of profits and losses of a joint venture and associates" in the condensed consolidated statement of profit or loss.

7. Dividend:

No dividend was paid or proposed during the six months ended 30th June, 2021, nor has any dividend been proposed since the end of the reporting period (2020 – Nil).

8. The calculation of basic loss per ordinary share for the period ended 30th June, 2021 is based on the loss for the period attributable to equity holders of the parent of HK$276.4 million (2020 – HK$853.3 million), adjusted for the distribution related to perpetual securities of HK$56.8 million (2020 – HK$56.7 million), and on the weighted average of 898.8 million (2020 – 898.8 million) ordinary shares of the Company in issue during the period.

No adjustment was made to the basic loss per ordinary share for the periods ended 30th June, 2021 and 2020 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

9. Included in debtors, deposits and prepayments is an amount of HK$39.4 million (31st December, 2020 – HK$37.2 million) representing the trade debtors of the Group. The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

| | 30th June, 2021 | 31st December, 2020 |
|---|---|---|
| | (Unaudited) | (Audited) |
| | HK$'M | HK$'M |
| Outstanding balances with ages: | | |
| Within 3 months | **30.1** | 29.0 |
| 4 to 6 months | **5.4** | 4.2 |
| 7 to 12 months | **8.7** | 6.7 |
| Over 1 year | **19.8** | 17.5 |
| | **64.0** | 57.4 |
| Impairment | **(24.6)** | (20.2) |
| | **39.4** | 37.2 |

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

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

10. Included in creditors, deposits received and accruals is an amount of HK$31.2 million (31st December, 2020 – HK$31.7 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

| | 30th June, 2021 (Unaudited) HK$'M | 31st December, 2020 (Audited) HK$'M |
|---|---|---|
| Outstanding balances with ages: | | |
| Within 3 months | **29.6** | 31.7 |
| 4 to 6 months | **1.6** | – |
| | **31.2** | 31.7 |

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2021.

## REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30th June, 2021 have not been audited, but have been reviewed by Ernst & Young, the Company's external auditor, whose review report is contained in the Company's interim report for the six months ended 30th June, 2021 to be despatched to shareholders.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30th June, 2021, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

## CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30th June, 2021, except that:

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

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

## BOARD OF DIRECTORS

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

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

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

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

By Order of the Board
**LO YUK SUI**
Chairman

Hong Kong, 24th August, 2021