



百利保控股有限公司

Paliburg
Holdings Limited

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



2022 INTERIM REPORT



CONTENTS

- 2 Corporate Information
- 3 Directors' Profile
- 6 Chairman's Statement
- 16 Management Discussion and Analysis
- 26 Condensed Consolidated Financial Statements
 - 26 Condensed Consolidated Statement of Profit or Loss
 - 27 Condensed Consolidated Statement of Comprehensive Income
 - 28 Condensed Consolidated Statement of Financial Position
 - 30 Condensed Consolidated Statement of Changes in Equity
 - 32 Condensed Consolidated Statement of Cash Flows
 - 34 Notes to Condensed Consolidated Financial Statements
- 57 Other Information
- 64 Report on Review of Interim Financial Information

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Jimmy Lo Chun To

(Vice Chairman and Managing Director)

Donald Fan Tung

(Chief Operating Officer)

Lo Po Man

Kenneth Ng Kwai Kai

Kenneth Wong Po Man

Independent Non-Executive Directors

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Winnie Ng, JP

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited

The Bank of East Asia, Limited

China Citic Bank International Limited

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

Chiyu Banking Corporation Limited

Chong Hing Bank Limited

Hang Seng Bank Limited

Industrial and Commercial Bank of China (Asia) Limited

Nanyang Commercial Bank, Limited

United Overseas Bank Limited, Hong Kong Branch

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited

4th Floor North, Cedar House, 41 Cedar Avenue

Hamilton HM 12, Bermuda

BRANCH REGISTRAR IN HONG KONG

Tricor Tengis Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

REGISTERED OFFICE

4th Floor North, Cedar House, 41 Cedar Avenue

Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street

Causeway Bay, Hong Kong

Tel: 2894 7888

Fax: 2890 1697

Website: www.paliburg.com.hk

Mr. Lo Yuk Sui, aged 77; *Chairman and Chief Executive Officer* — Chairman and Managing Director since 1993 and designated as the Chief Executive Officer in 2007. Mr. Lo has been the managing director and the chairman of the predecessor listed companies of the Group since 1984 and 1986, respectively. He is also an executive director, the chairman and the chief executive officer of Century City International Holdings Limited (“CCIHL”), the ultimate listed holding company of the Company, Regal Hotels International Holdings Limited (“RHIHL”) and Cosmopolitan International Holdings Limited (“Cosmopolitan”), both listed subsidiaries of the Company, and a non-executive director and the chairman of Regal Portfolio Management Limited (“RPML”), the manager of Regal Real Estate Investment Trust (the listed subsidiary of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Lo Chun To (Alias: Jimmy), aged 48; *Vice Chairman and Managing Director* — Appointed to the Board in 1999. Mr. Jimmy Lo has been a Vice Chairman and Managing Director of the Company since 2013. He is also an executive director and a vice chairman of CCIHL, an executive director of RHIHL, an executive director, a vice chairman and the managing director of Cosmopolitan, and a non-executive director of RPML. Mr. Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. Mr. Lo joined the Century City Group in 1998. He is primarily involved in overseeing the Group’s property projects in the People’s Republic of China (the “PRC”) and, in addition, undertakes responsibilities in the business development of the Century City Group. Mr. Lo is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Mr. Fan Tung, Donald, aged 65; *Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as the Chief Operating Officer in 2007. Mr. Donald Fan is also an executive director of CCIHL and RHIHL and a non-executive director of RPML. Mr. Fan is a qualified architect and has been with the Group since 1987. He is principally involved in the Group’s property development, architectural design and project management functions as well as overseeing the building construction business of the Group.

Mr. Leung Po Wing, Bowen Joseph, GBS, JP, aged 72; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung is also an independent non-executive director of RPML. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing (“Beijing Office”) in November 2005. He joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is an independent non-executive director and a member of the Audit Committee of Quali-Smart Holdings Limited, which is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Miss Lo Po Man, aged 42; Executive Director — Appointed to the Board in 2007. Miss Lo is also an executive director and a vice chairman of CCIHL, an executive director, a vice chairman and the managing director of RHIHL, an executive director and a vice chairman of Cosmopolitan, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor's Degree in Psychology. Miss Lo joined the RHIHL Group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the RHIHL Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Ng Kwai Kai (Alias: Kenneth), aged 67; Executive Director — Appointed to the Board in 1995. Mr. Kenneth Ng is also an executive director and the chief operating officer of CCIHL, an executive director of RHIHL and Cosmopolitan, and a non-executive director of RPML. Mr. Ng has been with the Group since 1985 and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary.

Ms. Winnie Ng, JP, aged 58; Independent Non-Executive Director — Invited to the Board as Independent Non-Executive Director in 2018. She is also an independent non-executive director of CCIHL and RHIHL since 2018. Ms. Ng holds an MBA (Master of Business Administration) from University of Chicago and an MPA (Master of Public Administration) from Harvard University. Ms. Ng has received numerous awards and recognition. In 2019, Ms. Ng received the Outstanding Businesswomen Award and in 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award and China Top Ten Outstanding Women Entrepreneurs. In previous years, she received recognitions as a Woman of Excellence in Hong Kong, one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, Yazhou Zhoukan Young Chinese Entrepreneur Award and was Mason Fellow of Harvard University. Active in public service, Ms. Ng is Director of Po Leung Kuk, Member of Women's Commission, Member of Town Planning Board, Director of CUHK Medical Centre, Director of HKBU Chinese Medicine Hospital, Advisor of Our Hong Kong Foundation, Council Member of The Better Hong Kong Foundation, and Court Member of The Hong Kong Polytechnic University. She was Chairman of Hospital Governing Committee of Prince of Wales Hospital from 2014 to 2020, Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, Member of Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016, Member of Employees Retraining Board and its Course Vetting Committee Convenor, and Member of Vocational Training Council from 2011 to 2017. Ms. Ng is also a non-executive director of Transport International Holdings Limited, and she was the founder, deputy chairman and a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited). Both companies are listed on the Stock Exchange.

Mr. Shek Lai Him, Abraham (Alias: Abraham Razack), GBS, JP, aged 77; Independent Non-Executive Director — Invited to the Board as Independent Non-Executive Director in 2002. Mr. Abraham Shek is also an independent non-executive director of Cosmopolitan and RPML. Mr. Shek holds a Bachelor's Degree of Arts and a Juris Doctor Degree. Mr. Shek is a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption of Hong Kong, an honorary member of the Court of The Hong Kong University of Science and Technology and a member of both of the Court and the Council of The University of Hong Kong. Mr. Shek was a member of the Legislative Council of the Hong Kong Special Administrative Region. Mr. Shek is the chairman, an executive director, the chairman of the corporate governance committee and a member of the nomination committee of Goldin Financial Holdings Limited, the Honorary Chairman, an independent non-executive director and the chairman of the audit committee of Chuang's China Investments Limited, an independent non-executive director and the chairman of the audit committee of Chuang's Consortium International Limited, the joint vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Country Garden Holdings Company Limited, CSI Properties Limited, Everbright Grand China Assets Limited, Far East Consortium International Limited, Hao Tian International Construction Investment Group Limited, Landing International Development Limited, Lifestyle International Holdings Limited and NWS Holdings Limited, and an independent non-executive director of International Alliance Financial Leasing Co., Ltd. and Lai Fung Holdings Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

Mr. Wong Chi Keung, aged 67; Independent Non-Executive Director — Invited to the Board as Independent Non-Executive Director in 2004. He is also an independent non-executive director of CCIHL and RHIHL. Mr. Wong holds a Master's Degree in Business Administration from the University of Adelaide in Australia. Mr. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Chartered Governance Institute and The Chartered Institute of Management Accountants. Mr. Wong is a responsible officer for asset management and advising on securities under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as Yuexiu Property Company Limited), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard Hotel Group Limited, Asia Standard International Group Limited, Changyou Alliance Group Limited, China Ting Group Holdings Limited, Golden Eagle Retail Group Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 39 years of experience in finance, accounting and management.

Mr. Wong Po Man (Alias: Kenneth), aged 56; Executive Director — Appointed to the Board in 2007. Mr. Kenneth Wong is also an executive director and the chief operating officer of Cosmopolitan. Mr. Wong graduated from The University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor's Degree of Architecture. He also holds a Master of Science Degree in Real Estates from The University of Hong Kong. Mr. Wong is a qualified architect and has been with the Group for over 29 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance.

CHAIRMAN'S STATEMENT

Dear shareholders,

I have pleasure to present herewith the Interim Report of the Company for the six months ended 30th June, 2022.

FINANCIAL RESULTS

For the six months ended 30th June, 2022, the Group achieved an unaudited consolidated profit attributable to shareholders of HK\$230.9 million, as compared to a loss of HK\$136.4 million for the comparative period in the prior year.

As mentioned in the profit alert announcement published by the Company on 18th August, 2022, the significant improvement in the results achieved in the period under review was primarily attributable to the substantial increase attained by the Group in its profits from sale of properties as well as in the income from its hotel operations. The profits from sale of properties were mainly derived from the sale of certain houses and apartment units in Mount Regalia in Kau To developed by P&R Holdings Limited and the presold residential units in the third stage of the Regal Cosmopolitan City development in Chengdu, Mainland China undertaken by Cosmopolitan International Holdings Limited, the sale transactions and hand over procedures for which were completed during the period. Moreover, as the seven hotels of the Group operating as quarantine hotels or facilities under various quarantine or isolation schemes organised by the Hong Kong Government to combat the COVID-19 pandemic have generated steady revenues during the period, the income from the Group's hotel operations as a whole for this interim period substantially surpassed the comparative level in the prior year.

For the six months ended 30th June, 2022, the Group achieved a gross profit of HK\$1,344.7 million (2021 – HK\$447.0 million) and an operating profit before depreciation and amortisation, finance costs and tax of HK\$1,009.0 million (2021 – HK\$243.3 million).

It should also be noted that as the Group's hotel properties in Hong Kong are all owned and operated within the Group, they are subject to depreciation charges to conform to applicable accounting standards. Accordingly, depreciation charges in the amount of HK\$345.4 million were provided on the Group's hotel properties in Hong Kong (2021 – HK\$295.5 million) which, although not affecting on the Group's cash flow, have nevertheless adversely impacted the Group's results. If these depreciation charges were not required to be provided and the relevant hotel properties stated at their fair values, the operating results of the Group for the period under review would have been more impressive.

Supplementary information showing the adjusted net asset value of the Company of HK\$15.29 per share as at 30th June, 2022, after adjusting for the market value of the hotel properties in Hong Kong on the basis therein presented, is contained in the paragraph headed "Assets Value" in the section headed "Management Discussion and Analysis" in this Interim Report.

BUSINESS OVERVIEW

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

As at 30th June, 2022, the Group directly held, through its wholly owned subsidiaries, a controlling shareholding interest of approximately 69.3% in Regal Hotels International Holdings Limited. Regal, in turn, held approximately 74.9% of the outstanding units of Regal Real Estate Investment Trust, the listed subsidiary of Regal that presently owns five Regal Hotels and four iclub Hotels in Hong Kong.

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

Apart from its property business, P&R Holdings also holds an effective controlling shareholding interest in Cosmopolitan, comprising interests in its ordinary shares, convertible preference shares as well as convertible bonds. As at 30th June, 2022, the holding of P&R Holdings in the issued ordinary share capital of Cosmopolitan was 48.9% and, if all of its holdings in the remaining convertible bonds and convertible preference shares of Cosmopolitan are converted, P&R Holdings' shareholding interest in Cosmopolitan will amount to approximately 65.4% of Cosmopolitan's enlarged capital, based on its existing capital structure. Cosmopolitan is effectively a listed member of the Group and is primarily engaged in property business in China and other investments.

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

PROPERTIES

Property transactions in Hong Kong in the first quarter of this year was adversely affected by the outburst of the fifth wave of the pandemic in January. Although the property market regained some momentum in the second quarter, many potential buyers and investors were still adopting a cautious attitude towards committing to purchases due to market uncertainty and the rising Hong Kong Interbank Offered Rates, on which the loan interest for most property mortgages in Hong Kong are based. Overall, property prices and transaction volume in the first half of 2022 both receded as compared to 2021.

The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R Holdings. The development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. Up to the present time, a total of 17 garden houses and 50 apartments have been sold or contracted to be sold at satisfactory prices, of which the sale transactions for 14 houses and 36 apartment units had been completed. Sale transactions that were completed during this interim period included 6 houses and 7 apartment units and the profits derived therefrom already accounted for in the results under review. The remaining 7 houses and 86 apartments command significant value and are planned to be sold on a gradual basis.

Apart from Mount Regalia, P&R Holdings also owns a mixed portfolio of completed properties and hotels as well as properties held for development in Hong Kong. These include the We Go MALL in Ma On Shan, Sha Tin, the iclub Mong Kok Hotel that is presently operating as a quarantine hotel and a 50% interest in the iclub AMTD Sheung Wan Hotel operating normal hotel business. These properties are all being held for their operating or recurring income.

On the property development side, P&R Holdings owns a commercial/residential project under development at Kam Wa Street in Shau Kei Wan, requisite absolute majority ownership interests in certain existing properties planned for a composite commercial/residential redevelopment at Castle Peak Road and, in addition, some remaining shop units and carparks in The Ascent in Sham Shui Po as well as certain retained houses in Casa Regalia in Yuen Long, both of which are property developments completed by P&R Holdings in earlier years.

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

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2022, Regal attained an unaudited consolidated profit attributable to shareholders of HK\$138.3 million, as compared to a loss of HK\$276.4 million recorded for the comparative period in the prior year.

During the period under review, six hotels of the Regal group, including the new Regala Skycity Hotel that was opened for business in December 2021, were operating as quarantine hotels or facilities under various quarantine or isolation schemes organised by the Hong Kong Government to combat the COVID-19 pandemic, which generated steady revenues. Consequently, the income from hotel operations contributed by the Regal group's portfolio of hotels operating in Hong Kong in the first six months of 2022 has substantially surpassed the comparative level in the prior year, which was the key driver for the significant enhancement achieved by the Regal group in its overall operating results under review.

For the six months ended 30th June, 2022, the Regal group achieved a gross profit of HK\$621.2 million (2021 – HK\$82.1 million) and an operating profit before depreciation, finance costs and tax of HK\$479.1 million (2021 – HK\$30.5 million).

As the hotel properties of the Regal group in Hong Kong are all owned and self-operated by subsidiaries of Regal, they are subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on the Regal group's hotel portfolio in Hong Kong for this six-month period, including those for the new Regala Skycity Hotel, amounted to HK\$299.4 million which, although not affecting cash flow, have nonetheless adversely impacted its reported results. If these depreciation charges were not required to be provided and the relevant hotel properties stated at their fair values, the operating results of the Regal group for the period under review would have been more impressive.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

Based on a recent research report by the World Bank Group, the world economy continued to suffer from a series of destabilising shocks during the first half of 2022. After more than two years of pandemic, the recent war in Ukraine has led to high commodity prices, supply chain disruptions, inflation and tighter financial conditions, which have steepened the slowdown in global growth. The outlook for the global economy is overshadowed by various downside risks.

Due mainly to the sporadic COVID-19 outbreaks and related strict lockdowns, economic activities in China have slowed sharply, with growth in consumer spending particularly subdued. Trade and manufacturing investments have lost momentum, owing to supply disruptions. According to preliminary estimates, the Gross Domestic Product (GDP) of China for the first half of 2022 only increased by 2.5% year-on-year. It is expected that China will implement more stimulus plans to boost the economy, in order that its GDP growth for the whole year of 2022 can catch up to its anticipated target.

Impacted by the global economic events and the pandemic, Hong Kong's economy suffered a major setback in the first quarter of 2022, with its GDP having decreased by 3.9% year-on-year. As the pandemic situation began to subside, the local labour market regained some momentum in the second quarter. The seasonally adjusted unemployment rate improved from 5.1% in the 3-month period from March to May to 4.7% in April to June in 2022. Moreover, the drop in Hong Kong's GDP in real terms in the second quarter of 2022 also moderated to 1.3%, as compared with a year earlier.

Due to the outburst of the 5th wave of the pandemic in Hong Kong early this year, travel restrictions and quarantine measures were tightened and many international flights were banned. It was only in the second quarter that these restrictive measures were gradually relaxed and overseas visitors permitted to enter Hong Kong from May 2022.

Under this environment, there were only about 76,000 visitors to Hong Kong in the first half of 2022, of which approximately 62,000 were visitors from Mainland China. Although these numbers represented an increase of 125.2% and 155.4% year-on-year, respectively, the sharp increases in percentage terms merely reflect the very low comparative base in 2021. In terms of absolute numbers, the number of total visitor arrivals in the first half of 2022 only accounted for a minute fraction of the pre-pandemic levels.

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 was up from 56.0% in 2021 to 63.0% in 2022, while the average achieved room rate improved by 23.8%, thus resulting in an increment of 39.2% in their average Revenue per Available Room (RevPAR) year-on-year.

HOTEL OWNERSHIP

The Regala Skycity Hotel, the Regal group's second hotel at the Hong Kong International Airport, was opened for business in December 2021. This hotel has since January 2022 been operating as quarantine hotel or facilities under the government's quarantine or isolation schemes. During this interim period, it maintained an average occupancy of 74.1% and generated net hotel profit of HK\$151.7 million, which are considered very satisfactory for a new start up hotel.

The Regal group owns a historical building located at a prime location in London, the United Kingdom. The rehabilitation plan is to conserve in whole the building's historical heritage and to transform it into a niche urban hotel with a unique fine dining facility. The interior design and subsequent renovation works are planned to commence later this year.

The Regal group also owns a 186-room hotel in Barcelona, Spain, which was leased to a third party lessee for hotel operations. The lessee continued to default on rentals and other payments under the lease and legal actions are proceeding against the lessee to enforce the owner's rights under the lease agreement, including recovery of possession.

REGAL REAL ESTATE INVESTMENT TRUST

As at 30th June, 2022, the Regal group held approximately 74.9% of the total outstanding issued units of Regal REIT, while Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager.

For the six months ended 30th June, 2022, Regal REIT recorded an unaudited consolidated profit before distribution to Unitholders of HK\$613.1 million, as compared to a loss of HK\$74.5 million for the corresponding period in 2021.

Net rental and hotel income of Regal REIT for the period amounted to HK\$340.4 million, an increase of HK\$52.4 million over the HK\$288.0 million attained in the same period last year. Apart from the increased net rental and hotel income, a major part of the profit achieved for the interim period was attributable to the gain of HK\$444.3 million in the fair value of Regal REIT's investment property portfolio, based on the market valuations appraised by the principal valuer as of 30th June, 2022, as compared to the last appraised value as of 31st December, 2021. For the corresponding period last year, a fair value loss of HK\$213.1 million was recorded. If these fair value changes are excluded, the core operating profit before distribution to Unitholders for the interim period would amount to HK\$168.8 million, as compared to the HK\$138.6 million for the same period in 2021.

Total distributable income for the interim period, after taking into account the various non-cash adjustments, amounted to HK\$183.1 million, an increase of 13.2% as compared to HK\$161.7 million for the corresponding period in 2021.

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

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and has been self-operated by Regal REIT since 2011. During the period, this hotel maintained an occupancy rate of 88.9%, which was 13.2 percentage points higher than the same period last year, while its average room rate increased by 25.4%, resulting in an increase of 47.3% in its RevPAR year-on-year. Consequently, the net property income from this property, including the lease rentals from the non-hotel portions, substantially improved as compared to the first half last year.

In late June 2022, Regal REIT concluded a 5-year term loan facility of HK\$2,950.0 million with a new lender, similarly secured by the Regal Kowloon Hotel, which was used to refinance the then outstanding term loan facility of HK\$3,000.0 million originally to mature in March 2023.

HOTEL OPERATIONS

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

During the period under review, these eight hotel properties continued to operate under two different business modes. Specifically, five of the hotels, namely, Regal Airport Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, iclub Fortress Hill Hotel and iclub Ma Tau Wai Hotel were operating as quarantine hotels or facilities under the various quarantine or isolation schemes organised by the Hong Kong Government to combat the COVID-19 pandemic, while the remaining three hotels, namely, Regal Hongkong Hotel, Regal Riverside Hotel and iclub Sheung Wan Hotel, continued to operate normal hotel businesses serving mostly local customers for long stay or staycation purposes. As the hotels operating as quarantine hotels or facilities under the government schemes have generated steady revenues, the operating performance of the hotel portfolio as a whole in the first half of 2022 secured substantial improvement over the same period last year.

Under this mixed operating structure, the combined average occupancy of the five Regal Hotels in Hong Kong during this interim period was 68.8%, as compared to 47.5% for the same period last year, while their combined average room rate increased by 119.1%. Consequently, their combined average RevPAR improved overall by 217.1% year-on-year. The prevailing aggregate base rent for 2022 for the five Regal Hotels was HK\$475.0 million, while their aggregate net property income, including the net rental income, for the first six months of 2022 amounted to HK\$291.0 million. Accordingly, variable rent for these five hotels for the interim period amounted to HK\$26.8 million, based on 50% sharing by each of the lessor and the lessee of the net property income surplus, which will be subject to adjustment based on their aggregate net property income achieved for the whole year.

Three other iclub hotels are also under lease to Favour Link for hotel operations. The prevailing annual base rent for 2022 for each of iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, as determined by an independent professional property valuer under the terms of the market rental packages, was HK\$27.0 million. During the interim period, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel attained a combined average occupancy rate of 80.5%, an increase of 7.7 percentage points as compared to the corresponding period in 2021. At the same time, their combined average room rate increased by 177.3%, which overall translated into an improvement of 207.0% in their combined average RevPAR year-on-year. For the interim period, the iclub Fortress Hill Hotel yielded variable rent of HK\$13.8 million, which will likewise be subject to adjustment on a full year basis.

The iclub Ma Tau Wai Hotel was acquired by Regal REIT in September 2017 from P&R Holdings. The hotel was then leased to Favour Link for an initial term of 5 years, with escalating fixed rentals at an average yield of 4.5% per annum. 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 during the initial 5-year term.

For the period under review, the fixed rental payment for iclub Ma Tau Wai Hotel was HK\$34.0 million. During this period, this hotel attained an average occupancy of 81.4% and its average RevPAR was 1.7 times above its comparative level in 2021, which generated net property income of HK\$43.8 million.

As reported earlier, in December 2021, Regal REIT exercised the option granted to it under the existing lease agreement to extend the lease term of iclub Ma Tau Wai Hotel to 31st December 2027, with rentals in the extended term to be based on independent annual market reviews. In May 2022, the independent professional valuer jointly appointed by the lessor and the lessee determined the base rent under the market rental package for this hotel for the first lease period under the extended term to be HK\$8.8 million for the period from 4th September, 2022 to 31st December, 2022 (prorated from a base rent of HK\$27.0 million for the whole year of 2022) and HK\$30.0 million for 2023.

HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Regal group, is the hotel manager managing all the five Regal Hotels, six iclub Hotels and one Regala Hotel that are operating in Hong Kong. Opened in December 2021, the 1,208-room Regala Skycity Hotel is the latest addition to the Regal group's portfolio.

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

PROPERTIES

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

A wholly owned subsidiary of the Regal group is developing a commercial/residential project, named as "The Queens", at Queen's Road West, Hong Kong. The development has a total of 130 residential units with club house facilities and commercial accommodations. The occupation permit for this development has just been issued and a new sale programme for the residential units is planned to be launched on an existing property basis in due course.

In the meanwhile, the Regal group is also undertaking a commercial/residential redevelopment project at Hai Tan Street in Sham Shui Po, Hong Kong and, in overseas, a renovation for sale property project in Lisbon, Portugal. At present, the Regal group still owns 9 garden houses in Regalia Bay, Stanley, some of which will continue to be disposed of if the prices offered are satisfactory.

Further detailed information on the development projects and properties held by the Regal group is contained in the section headed "Management Discussion and Analysis" in this Interim Report.

AIRCRAFT OWNERSHIP AND LEASING

At present, the Regal group owns a fleet of 3 Airbus passenger aircraft, two of which are on operating leases with a major international airline operator in Europe and are running on normal terms. The lease for the remaining aircraft was terminated in November 2021 due to payment defaults of the lessee and the Regal group has already recovered possession of the aircraft in November 2021. The Regal group is working closely with the professional aircraft manager to finalise a proposal for the disposition of this aircraft.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2022, Cosmopolitan achieved an unaudited consolidated profit attributable to shareholders of HK\$87.8 million, as compared to a profit of HK\$1.2 million attained in the corresponding period in 2021.

The substantial increase in the profit achieved by the Cosmopolitan group was mainly attributable to the property income derived from the sale of the remaining residential units in the third stage of its Regal Cosmopolitan City development in Chengdu, China that were presold but the sale transactions and hand over procedures for which were only completed in the first six months of 2022.

BUSINESS OVERVIEW

Over the past few months, the international political and economic environments have become increasingly intense and complex. In the Mainland, China's economy continued to sustain steady growth in the early part of this year but the growth momentum has apparently slowed down in the second quarter due to the sporadic outburst of the COVID-19 pandemic. Overall, for the first half of 2022, China's Gross Domestic Product still managed to increase by 2.5% year-on-year.

As regarding the property market in Mainland China, many property developers have been facing severe liquidity issues under the deleveraging environment, with some undergoing major financial restructurings. This has, in turn, adversely affected the overall market sentiment. Consequently, nationwide indices on commodity property sales for the first six months of 2022, including the total area sold and the total sale value achieved, have generally declined significantly as compared with the levels in the corresponding period in 2021.

The central government and various municipalities in China have introduced different accommodative measures, including the lowering of the mortgage interest rates and initial deposit amounts payable on property purchases as well as the relaxation of the sale and purchase restrictions, with a view to stimulating the core demands for housing and for living environment upgrades. These measures have recently begun to generate some positive impact. In the meantime, the central government and the major national banks have been implementing different fiscal measures to provide normal liquidity to the property sector, in order that the real estate market in China will remain stable.

The Cosmopolitan group is continuing with the two major composite development projects in Chengdu, Sichuan and Tianjin. While the sales of the residential portions in these two projects have generated significant amounts of cash flow, a substantial part of the cash flow generated has been utilised to fund the construction of the remaining components within the developments. In view of the changing market environment, the Cosmopolitan group has been cautious in committing to new property projects.

As indicated before, there were about 40% of the residential units in the third stage of the Regal Cosmopolitan City development that were presold but the handover procedures for which had not been completed before the last year end. Most of these remaining presold residential units have since been duly handed over to their respective purchasers in the first six months of 2022. The property income thus derived and accounted for in the period under review amounted to HK\$342.8 million, before impairment loss on ascribed goodwill, tax and selling expenses.

The remaining components in the Regal Cosmopolitan City development now comprise a commercial complex (including a six-storey shopping mall podium), five towers of office accommodation, a 325-room hotel, all of which are still undergoing development, as well as certain remaining unsold residential units, shops and car parks in the third stage of the development already completed. As indicated before, the Cosmopolitan group is continuing preliminary discussions with Regal for its possible acquisition of the hotel comprised within this composite project.

The Cosmopolitan group's other composite development project in China, the Regal Renaissance, is located in Tianjin and consists of residential, commercial and office components. While the residential portion of this development has also been substantially sold, the remaining components comprise two office towers and a four-storey commercial podium and, in addition, the unsold shops in the completed commercial complex and car parks. The construction works for the office towers and commercial podium have recently been completed and the completion certificates obtained.

Further detailed information on these two development projects, the reforestation and land grant project in Urumqi, Xinjiang as well as the Cosmopolitan group's other investments is contained in the "Management Discussion and Analysis" section.

OUTLOOK

REGAL GROUP

The Hong Kong Government recently announced the further relaxation of the quarantine requirements for foreign visitors from 7 days hotel quarantine to 3 days, followed by medical surveillance at home for 4 days. This is a positive step towards normalisation of international traffic and connections with the global community. However, in order that the economy of Hong Kong can rapidly revive, Hong Kong will need to reopen its cross border traffic with the Mainland as soon as practicable, particularly when the economic environment worldwide is getting increasingly uncertain and volatile. This year marked the 25th Anniversary of Hong Kong's Return to China. With the policy support from China, Hong Kong should take the opportunity to move towards the goals of being a "global metropolis", a world-class financial center and a center for the technology innovation industry.

As the United States began to raise its interest rates since March this year to combat the heightened inflation, Hong Kong is under pressure to follow the interest rates hike. Although the pace and the magnitude of the interest rate increases in Hong Kong may not be the same as in the United States, the price of assets in Hong Kong, including stocks and properties, will inevitably be affected and may further weaken the general consumption sentiment. The Hong Kong Government has implemented various initiatives, including the launching of the phase II consumption vouchers in August, to boost consumption and market confidence, but the business environment for Hong Kong in the second half of 2022 will still be challenging.

The directors of the REIT Manager are, however, optimistic that Hong Kong, with its usual resilience, will be able to overcome these future challenges. In the meanwhile, the REIT Manager is working closely with the hotel manager to devise new business and development strategies, including plans for the staged renovation and upgrading of some of Regal REIT's hotel properties, in order that Regal REIT will be well-prepared for the market challenges as well as potential business opportunities that will emerge, as and when the travel and hotel industries in Hong Kong gradually return to normal operating conditions.

The Regal group has attained satisfactory performance in the period under review. The Regal group will continue to keep under close review its overall operating structure, business strategies, composition of assets as well as future development plans, with a view to placing the Regal group in an advantageous position to meet these challenging times.

With the backing of its strong asset base, the directors of Regal remain optimistic of the future prospects of the Regal group.

COSMOPOLITAN GROUP

The global economy continues to be overshadowed by many adverse factors, including the intensified geopolitical tensions, the interruptions to the supply chains, the rising commodity and fuel prices and the recent interest rate hikes by many economies to combat inflationary pressures. Outlook for the second half of this year will be full of challenges and uncertainties. In the Mainland China, it is generally expected that the central government will implement different fiscal policies to stimulate the economy, with a view to keeping up the economic growth in China to the anticipated target.

Despite the recent liquidity events affecting many property developers, the Cosmopolitan group is optimistic that, with the supportive measures of the central government, the real estate market in China will gradually stabilise. Although the Cosmopolitan group has a very low level of external debt, it will continue to be prudent in pursuing business expansion. On the other hand, the Cosmopolitan group is hopeful that, when the market sentiment in China recovers, the Cosmopolitan group will be able to secure substantial cash flow from the sale of the remaining components in its two composite development projects in Chengdu and Tianjin.

PALIBURG GROUP

The underlying demand for residential properties in Hong Kong remains strong and various new residential developments launching unit presales in the primary market in the recent months have met with very favourable response. At the same time, there were some recent transactions on luxury residential properties that set record prices for the year, demonstrating prime properties are still short in supply and well sought-after.

The Group anticipates that substantial cash flow can be generated from its existing portfolio of properties in Hong Kong as well as in the Mainland. The Group will continue to consolidate its assets base, with a view to securing for the Group a strong recurring income stream from a portfolio of quality properties, to be complemented by a regular inflow of development profits and investment income from property projects and other investments.

Overall, the Directors believe that the Group is well positioned to sustain continuing business advancement amid these future challenges.

LO YUK SUI

Chairman

Hong Kong
25th August, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Cosmopolitan International Holdings Limited ("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 People's Republic of China (the "PRC"), and other investments including financial assets investments.

The performance of the Group's property, construction and building related and other investment businesses, and those of the principal businesses of RHIHL, Regal REIT and Cosmopolitan for the period, including the commentary on the business sectors in which the Group operates, the changes in the general market conditions and their potential impact on the Group's operating performance and future prospects, is contained in the preceding Chairman's Statement and in this Management Discussion and Analysis.

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

P&R HOLDINGS LIMITED

P&R Holdings is a 50/50 owned joint venture established with RHIHL, with capital contributions provided by the Company and RHIHL on a pro-rata basis in accordance with their respective shareholdings. As the Company owns a controlling shareholding interest in RHIHL, P&R Holdings is, effectively, a subsidiary of the Company. 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).

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

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

This development has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. This shopping mall was opened for business in 2018 and is held for rental income. Despite the continuing adverse impact brought about by the COVID-19 pandemic, the leasing status of this shopping mall overall remained stable as compared with the level in 2021.

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

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

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

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

This development received eight international awards including winner of Luxury Lifestyle Awards as Best Luxury Residential Development and Best Luxury Sustainable Residential Development in Hong Kong in 2021 as well as for the superb interior designs of certain of its show houses and apartment units.

Up to the present time, a total of 17 garden houses and 50 apartment units have been sold or contracted to be sold at satisfactory prices (total sale price of HK\$3,852.9 million), of which the sale transactions for 14 houses and 36 apartment units (total sale price of HK\$2,828.1 million) have been completed. Sale transactions that were completed during this interim period included 6 houses and 7 apartment units (total sale price of HK\$745.4 million) and the profits derived therefrom already accounted for in the results under review. The remaining 7 houses and 86 apartments command significant sale value and are planned to be sold on a gradual basis.

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

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

The project has been developed into a 20-storey hotel, comprising 288 guestrooms with ancillary facilities, which was opened for business in March 2019. The hotel is presently self-operated by P&R Holdings and managed by the RHHL group. This hotel has been operating as a quarantine hotel since March 2022.

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).

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

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

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

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

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

Certain of the existing properties are presently classified as a Grade 2 Historic Building. A conservation proposal in conjunction with the proposed development is being discussed with the relevant government authorities, which would involve conserving the verandah portion of historical heritage within the new development, thus preserving its unique iconic image in the vicinity.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

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

Hong Kong

Regala Skycity Hotel, the Hong Kong International Airport

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

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

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

To support the Hong Kong Government's initiatives against the COVID-19 pandemic, this hotel has since January 2022 been operating as quarantine hotel or facilities under the government's quarantine or isolation schemes.

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 has a total of 130 residential units with club house facilities on the second floor and commercial accommodations on the ground and first floors. The occupation permit for this development has just been issued.

The presale of the first batch of the residential units was first launched in April 2021. A new sale programme for the residential units is planned to be launched on an existing property basis in due course.

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 90% 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. The requisite judicial proceedings through the Lands Tribunal to consolidate the entire ownership interests in the relevant properties are progressing.

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

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

Overseas

Campus La Mola, Barcelona, Spain

This hotel property has a total of 186 guestrooms and was acquired by the RHIHL group in 2014. The hotel was initially operated by the RHIHL group and was subsequently leased to an independent third party pursuant to a lease agreement in September 2017. The lessee continued to default on rentals and other payments under the lease and legal actions are proceeding against the lessee to enforce the owner's rights under the lease agreement, including recovery of possession.

41 Kingsway, London WC2B 6TP, the United Kingdom

This is a freehold historical building located at a prime location in London, acquired by the RHIHL group in April 2019. Currently vacant, this iconic property has total 9 storeys (including 1 basement) with a total gross floor area of approximately 2,150 square metres (23,140 square feet).

The rehabilitation plan is to conserve in whole the building's historical heritage and to transform it into a niche urban hotel with a unique fine dining facility. The market re-positioning study is being carried out. The interior design and subsequent renovation works are planned to commence later this year. The hotel is planned to be operated by RHIHL group after completion.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

This is a rehabilitation and renovation project of a historical building located in a heritage conservation area of Lisbon, acquired in 2019 by an entity that is now wholly owned by the RHIHL group. This building has a total gross floor area of about 1,836 square metres (19,768 square feet), comprising residential apartments as well as shops on ground floor. The design and renovation proposals have been approved by the local government authorities and renovation works are underway. There have been some delays due to the pandemic and the renovation project is expected to be completed by the end of 2022. The apartment units and shops are intended to be marketed for sale after completion of the renovation works.

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 development works of third stage were already completed. Nearly all of the residential units in the third stage have been presold by early 2021. Total proceeds from the contracted presales and sales of the residential units amounted to approximately RMB2,046.2 million (HK\$2,339.6 million). As indicated before, up to the last year end, there were about 40% of the presold residential units in the third stage whose handover procedures were yet to be completed. These remaining presold residential units have since been duly handed over to their respective purchasers during the course of this year. The attributable property income derived from these completed sales amounted to HK\$342.8 million, before impairment loss on ascribed goodwill, tax and selling expense, which has been accounted for in the period under review.

The sale of the shops with about 2,350 square metres (25,300 square feet) comprised in the third stage is in progress. Up to date, a total of 3,933 square meters (42,335 square feet) of shops have been sold or contracted to be sold, at aggregate sale considerations of approximately RMB90.9 million (HK\$103.9 million). The sale of the 1,389 car parking spaces is continuing and, up to date, 438 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB47.8 million (HK\$54.7 million). The procedures for the hand over of most of the shop units and car parking spaces sold have already been completed and the revenues accounted for in the period under review.

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

The construction works of the remaining commercial components within the development, comprising a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) are in steady progress. All the office towers, the commercial facilities as well as the six-storey shopping mall podium have been topped-off. The market repositioning works of the shopping mall and certain office towers are also in progress. The 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, 124 office units with a total of about 5,309 square meters (57,140) square feet) have been subscribed by prospective purchasers or presold under contracts, for an aggregate sale consideration of RMB47.0 million (HK\$53.7 million). The presale of the remaining four office towers, consisting of 1,356 units with a total of about 66,000 square metres (710,500 square feet), will follow in phases with regard to the market environment.

Tianjin Project – Regal Renaissance

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

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

The superstructure works of the remaining two office towers and the four-storey commercial podium were completed in December 2021 and the Completion Certificates obtained. The sale programme for one of the office towers, consisting of 137 units with a total of about 17,530 square metres (188,700 square feet), has been delayed on account of the changed market environment, which is now planned to be launched in the first half of 2023. Depending on the sale progress, the sale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), may be launched in phases thereafter. The market 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 overall re-forested area. In the meanwhile, the Cosmopolitan group is communicating with the relevant government authority to initiate appropriate measures to settle the disputes over certain portions of the land in the project site that have been illegally occupied. Based on the legal advice obtained, the legitimate interests of the Cosmopolitan group in the relevant re-forestation contract remain valid and effective.

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 the years between 2014 and 2016, as well as the residential project named Domus and Casa Regalia at Tan Kwai Tsuen Road, Yuen Long 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. Chatwin was also responsible for the construction management of the Mount Regalia project and the Regala Skycity Hotel project completed in 2019 and 2021, respectively.

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

FINANCIAL ASSETS AND OTHER INVESTMENTS

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

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

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

FINANCIAL REVIEW

ASSETS VALUE

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 RHIHL, together with Regal REIT, became subsidiaries of the Group, plus subsequent capital additions and deducting accumulated depreciation. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub 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, while the iclub Mong Kok Hotel owned by P&R Holdings and the Regala Skycity Hotel owned by the RHIHL group, completed in 2019 and 2021 respectively, are stated at cost, and they are all also subject to depreciation. For the purpose of providing supplementary information, if the entire hotel property portfolio of the Group in Hong Kong is restated in the condensed consolidated financial statements at market value as at 30th June, 2022, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$15.29 per share, computed as follows:

	As at 30th June, 2022	
	HK\$'million	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	12,142.4	10.89
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	<u>4,906.1</u>	<u>4.40</u>
Unaudited adjusted net assets attributable to equity holders of the parent	<u><u>17,048.5</u></u>	<u><u>15.29</u></u>

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Property development projects in the PRC are 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. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As regards the Group's overseas investments and investments in the PRC 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

Net cash flows generated from operating activities during the period under review amounted to HK\$357.8 million (2021 - HK\$265.8 million). Net interest payment for the period amounted to HK\$157.0 million (2021 - HK\$140.7 million).

Borrowings and Gearing

As at 30th June, 2022, the Group had cash and bank balances and deposits of HK\$2,061.1 million (31st December, 2021 - HK\$3,033.6 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$17,133.5 million (31st December, 2021 - HK\$17,060.6 million).

As at 30th June, 2022, the gearing ratio of the Group was 40.6% (31st December, 2021 - 38.3%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK\$17,133.5 million (31st December, 2021 - HK\$17,060.6 million), as compared to the total assets of the Group of HK\$42,204.8 million (31st December, 2021 - HK\$44,517.2 million).

On the basis of the adjusted total assets as at 30th June, 2022 of HK\$50,920.5 million (31st December, 2021 - HK\$52,352.1 million) with the hotel portfolio owned by the Group in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 33.6% (31st December, 2021 - 32.6%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2022 are shown in note 11 to the condensed consolidated financial statements.

Lease Liabilities

As at 30th June, 2022, the Group had lease liabilities of HK\$33.0 million (31st December, 2021 - HK\$33.1 million).

Pledge of Assets

As at 30th June, 2022, 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\$31,377.4 million (31st December, 2021 - HK\$32,168.1 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, 2022, certain ordinary shares in a listed subsidiary with a market value of HK\$282.4 million (31st December, 2021 - HK\$266.7 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, 2022 are shown in note 16 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2022 are shown in note 15 to the condensed consolidated financial statements.

Share Capital

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

DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2022 (2021 - Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

STAFF AND REMUNERATION POLICY

The Group employs approximately 1,690 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30th June, 2022 (Unaudited)	Six months ended 30th June, 2021 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2, 3	2,917.9	1,111.1
Cost of sales		<u>(1,573.2)</u>	<u>(664.1)</u>
Gross profit		1,344.7	447.0
Other income and gains, net	3	51.4	28.5
Fair value gains on investment properties, net		1.5	45.9
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		(45.4)	24.5
Loss on disposal of an investment property		(5.6)	–
Impairment loss of items of property, plant and equipment		–	(30.4)
Impairment loss on properties held for sale		–	(0.8)
Impairment loss on investment in associates		(0.2)	–
Property selling and marketing expenses		(124.8)	(90.9)
Administrative expenses		<u>(212.6)</u>	<u>(180.5)</u>
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION		1,009.0	243.3
Depreciation and amortisation		<u>(365.0)</u>	<u>(323.0)</u>
OPERATING PROFIT/(LOSS)		644.0	(79.7)
Finance costs	5	(193.0)	(178.4)
Share of profits and losses of associates		<u>(3.6)</u>	<u>0.9</u>
PROFIT/(LOSS) BEFORE TAX	4	447.4	(257.2)
Income tax	6	<u>(142.0)</u>	<u>12.1</u>
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		<u>305.4</u>	<u>(245.1)</u>
Attributable to:			
Equity holders of the parent		230.9	(136.4)
Non-controlling interests		<u>74.5</u>	<u>(108.7)</u>
		<u>305.4</u>	<u>(245.1)</u>
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>HK17.15 cents</u>	<u>HK(15.77) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June, 2022 (Unaudited)	Six months ended 30th June, 2021 (Unaudited)
	HK\$'million	HK\$'million
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	305.4	(245.1)
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	<u>(104.9)</u>	<u>15.7</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods: Changes in fair value of financial assets designated at fair value through other comprehensive income	<u>(332.2)</u>	<u>(79.4)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	<u>(437.1)</u>	<u>(63.7)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(131.7)</u>	<u>(308.8)</u>
Attributable to:		
Equity holders of the parent	(105.9)	(188.6)
Non-controlling interests	<u>(25.8)</u>	<u>(120.2)</u>
	<u>(131.7)</u>	<u>(308.8)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30th June, 2022 (Unaudited)	31st December, 2021 (Audited)
	Note	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		6,855.7	7,033.4
Investment properties		3,179.4	3,209.2
Right-of-use assets		15,933.7	16,098.8
Properties under development		902.9	869.9
Investment in associates		411.0	455.1
Financial assets designated at fair value through other comprehensive income		256.3	590.5
Financial assets at fair value through profit or loss		740.3	674.3
Loans receivable		220.3	234.3
Debtors, deposits and prepayments		266.4	276.6
Deferred tax assets		47.7	47.7
Trademark		610.2	610.2
Other intangible assets		6.4	3.6
Total non-current assets		29,430.3	30,103.6
CURRENT ASSETS			
Properties under development		4,678.0	4,593.3
Properties held for sale		4,461.0	5,570.0
Inventories		52.6	46.3
Loans receivable		29.7	13.0
Debtors, deposits and prepayments	9	954.8	826.4
Financial assets at amortised cost		25.7	15.6
Financial assets at fair value through profit or loss		510.1	282.5
Derivative financial instruments		–	26.3
Tax recoverable		1.5	6.6
Restricted cash		154.7	171.7
Pledged time deposits and bank balances		171.6	267.7
Time deposits		756.9	1,060.3
Cash and bank balances		977.9	1,533.9
Total current assets		12,774.5	14,413.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		30th June, 2022 (Unaudited)	31st December, 2021 (Audited)
	Notes	HK\$'million	HK\$'million
CURRENT LIABILITIES			
Creditors and accruals	10	(722.8)	(1,045.2)
Contract liabilities		(797.4)	(1,774.9)
Lease liabilities		(12.3)	(11.2)
Deposits received		(181.6)	(179.8)
Interest bearing bank borrowings	11	(3,225.5)	(3,329.5)
Tax payable		(469.8)	(286.3)
Total current liabilities		<u>(5,409.4)</u>	<u>(6,626.9)</u>
NET CURRENT ASSETS		<u>7,365.1</u>	<u>7,786.7</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>36,795.4</u>	<u>37,890.3</u>
NON-CURRENT LIABILITIES			
Creditors and deposits received		(84.4)	(85.5)
Lease liabilities		(20.7)	(21.9)
Interest bearing bank borrowings	11	(15,969.1)	(16,764.7)
Deferred tax liabilities		(1,660.7)	(1,723.6)
Total non-current liabilities		<u>(17,734.9)</u>	<u>(18,595.7)</u>
Net assets		<u>19,060.5</u>	<u>19,294.6</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		111.4	111.4
Reserves		12,031.0	12,185.1
		<u>12,142.4</u>	<u>12,296.5</u>
Perpetual securities		1,732.9	1,732.9
Non-controlling interests		5,185.2	5,265.2
Total equity		<u>19,060.5</u>	<u>19,294.6</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2022

	Attributable to equity holders of the parent											
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Property revaluation reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)	Perpetual securities (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1st January, 2022	111.4	1,356.1	4.3	3,174.3	689.6	5.5	(11.0)	7,922.9	12,296.5	1,732.9	5,265.2	19,294.6
Profit for the period	-	-	-	-	-	-	-	230.9	230.9	-	74.5	305.4
Other comprehensive loss for the period:												
Changes in fair value of financial assets designated at fair value through other comprehensive income	-	-	-	-	(264.9)	-	-	-	(264.9)	-	(67.3)	(332.2)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(71.9)	-	(71.9)	-	(33.0)	(104.9)
Total comprehensive income/(loss) for the period	-	-	-	-	(264.9)	-	(71.9)	230.9	(105.9)	-	(25.8)	(131.7)
Acquisition of non-controlling interests in a listed subsidiary	-	-	-	(8.5)	-	-	-	-	(8.5)	-	(3.0)	(11.5)
Distribution to holders of perpetual securities	-	-	-	-	-	-	-	(39.7)	(39.7)	-	(17.7)	(57.4)
Distribution to non-controlling interests of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	(33.5)	(33.5)
At 30th June, 2022	111.4	1,356.1	4.3	3,165.8	689.6	5.5	(82.9)	8,114.1	12,142.4	1,732.9	5,185.2	19,060.5

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

For the six months ended 30th June, 2022

	Attributable to equity holders of the parent													
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Fair value reserve of financial assets through other comprehensive income (Unaudited)	Property revaluation reserve (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)	Perpetual securities (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1st January, 2021	111.4	1,356.1	4.3	3,093.0	689.6	(508.9)	5.5	(42.3)	8,399.1	13,107.8	1,732.9	5,834.0	20,674.7	
Loss for the period	-	-	-	-	-	-	-	-	(136.4)	(136.4)	-	(108.7)	(245.1)	
Other comprehensive income/(loss) for the period:														
Changes in fair value of financial assets designated at fair value through other comprehensive income	-	-	-	-	-	(63.4)	-	-	-	(63.4)	-	(16.0)	(79.4)	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	11.2	-	11.2	-	4.5	15.7	
Total comprehensive income/(loss) for the period	-	-	-	-	-	(63.4)	-	11.2	(136.4)	(188.6)	-	(120.2)	(308.8)	
Acquisition of non-controlling interests in listed subsidiaries	-	-	-	119.4	-	-	-	-	-	119.4	-	(133.1)	(13.7)	
Acquisition of non-controlling interests in a subsidiary	-	-	-	0.3	-	-	-	-	-	0.3	-	(0.3)	-	
Distribution to holders of perpetual securities	-	-	-	-	-	-	-	-	(39.3)	(39.3)	-	(17.5)	(56.8)	
Distribution to non-controlling interests of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	-	(62.9)	(62.9)	
At 30th June, 2021	111.4	1,356.1	4.3	3,212.7	689.6	(572.3)	5.5	(31.1)	8,223.4	12,999.6	1,732.9	5,500.0	20,232.5	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30th June, 2022 (Unaudited)	Six months ended 30th June, 2021 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from operating activities	<u>357.8</u>	<u>265.8</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of financial assets at amortised cost	(174.8)	–
Proceeds from redemption of financial assets at amortised cost	164.7	–
Purchases of financial assets at fair value through profit or loss	(110.5)	(11.6)
Proceeds from disposal of financial assets at fair value through profit or loss	9.3	104.9
Distribution from financial assets at fair value through profit or loss	3.7	17.1
Decrease/(Increase) in loans receivable	(2.8)	12.2
Additions to investment properties	(2.1)	(0.7)
Proceeds from disposal of investment properties	16.0	–
Purchases of items of property, plant and equipment	(38.5)	(235.2)
Additions to other intangible assets	(2.8)	–
Repayment from/(Advances to) an associate	40.2	(3.6)
Interest received	14.4	27.6
Dividends received from unlisted investments	0.8	17.5
Decrease/(Increase) in pledged time deposits and bank balances	96.1	(16.1)
Increase in restricted cash	(7.6)	(0.2)
Increase in time deposit with an original maturity of more than three months when acquired	–	(0.1)
Net cash flows from/(used) in investing activities	<u>6.1</u>	<u>(88.2)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of new bank loans	3,779.0	3,795.1
Repayment of bank loans	(4,662.0)	(2,580.9)
Decrease in other borrowings	–	(73.3)
Interest paid	(177.2)	(173.3)
Payment of loan and other costs	(43.1)	(49.0)
Principal portion of lease payments	(6.2)	(7.3)
Distribution to non-controlling interests of a listed subsidiary	(33.5)	(62.9)
Acquisition of non-controlling interests in a listed subsidiary	(11.5)	–
Distribution to holders of perpetual securities	(57.4)	(56.8)
Increase in restricted cash	(0.7)	–
Net cash flows from/(used in) financing activities	<u>(1,212.6)</u>	<u>791.6</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

		Six months ended 30th June, 2022 (Unaudited)	Six months ended 30th June, 2021 (Unaudited)
	Notes	HK\$'million	HK\$'million
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(848.7)	969.2
Cash and cash equivalents at beginning of period		2,584.2	2,671.5
Effect of foreign exchange rate changes, net		(10.7)	13.4
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>1,724.8</u>	<u>3,654.1</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	12	1,734.8	3,665.4
Non-pledged time deposit with an original maturity of more than three months when acquired	12	(10.0)	(11.3)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		<u>1,724.8</u>	<u>3,654.1</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies and Basis of Preparation

The condensed consolidated financial statements for the six months ended 30th June, 2022 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31st December, 2021. 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, 2021, 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, 2022.

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30th June, 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1st January, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30th June, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1st April, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. The Group has not applied the practical expedient to any rent concessions granted by the lessors as a direct consequence of the COVID-19 pandemic. Accordingly, the adoption of the amendment has had no significant impact on the financial position and performance of the Group.

- (c) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1st January, 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1st January, 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1st January, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (e) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1st January, 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2. Operating Segment Information

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

- (a) the property development and investment segment comprises the development and sale of properties, the leasing of properties and the provision of estate agency services;
- (b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;
- (c) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income;
- (d) the asset management segment engages in the provision of asset management services to Regal Real Estate Investment Trust ("Regal REIT");
- (e) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;
- (f) the aircraft ownership and leasing segment* engages in the aircraft ownership and leasing for rental 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 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 profit/(loss) before tax except that certain interest income, non-lease-related finance costs, head office and corporate gains and expenses are excluded from such measurement.

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

* Regal Hotels International Holdings Limited ("RHIHL") and its subsidiaries (the "RHIHL Group") owns a fleet of 3 passenger aircraft comprising two Airbus A320-232 and one Airbus A319-133 with a net carrying amount of HK\$327.5 million and average lease rental yield of 8.6%.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Asset management		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated		
	Six months ended 30th June, 2021		Six months ended 30th June, 2021		Six months ended 30th June, 2021		Six months ended 30th June, 2021		Six months ended 30th June, 2021		Six months ended 30th June, 2021		Six months ended 30th June, 2021		Six months ended 30th June, 2021		Six months ended 30th June, 2021		
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	
Segment revenue (note 3):																			
Sales to external customers	1,851.1	685.5	5.8	5.5	1,044.4	351.3	-	-	10.8	23.6	12.0	15.7	23.8	29.5	-	-	2,917.9	1,111.1	
Intersegment sales	1.9	3.5	2.0	17.5	42.0	7.3	44.4	42.5	-	-	-	-	88.3	53.0	(178.6)	-	-	-	
Total	1,853.0	689.0	7.8	23.0	1,086.4	358.6	44.4	42.5	10.8	23.6	12.0	15.7	112.1	82.5	(178.6)	(118.8)	2,917.9	1,111.1	
Segment results before depreciation and amortisation	546.8	271.9	(1.3)	3.5	555.5	(7.0)	(7.3)	(6.4)	(31.1)	52.8	8.9	(19.6)	14.1	9.2	-	-	1,065.6	304.4	
Depreciation and amortisation	(7.4)	(7.3)	(0.2)	(0.1)	(51.3)	(303.3)	-	-	-	-	(1.8)	(5.8)	(4.3)	(6.5)	-	-	(855.0)	(323.0)	
Segment results	539.4	264.6	(1.5)	3.4	484.2	(310.3)	(7.3)	(6.4)	(31.1)	52.8	7.1	(25.4)	9.8	2.7	-	-	700.6	(18.6)	
Unallocated interest income and unallocated non-operating and corporate gains																		13.6	16.9
Unallocated non-operating and corporate expenses																		(70.5)	(78.2)
Finance costs (other than interest on lease liabilities)																		(192.7)	(178.2)
Share of profits and losses of associates	0.8	6.7	-	-	(4.4)	(5.2)	-	-	-	-	-	-	-	(0.6)	-	-	(3.6)	0.9	
Profit/(loss) before tax																		447.4	(257.2)
Income tax																		(142.0)	12.1
Profit/(loss) for the period before allocation between equity holders of the parent and non-controlling interests																		305.4	(245.1)
Attributable to:																			
Equity holders of the parent																		230.9	(136.4)
Non-controlling interests																		74.5	(108.7)
																		305.4	(245.1)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

3. Revenue, Other Income and Gains, net

Revenue, other income and gains, net are analysed as follows:

	Six months ended 30th June, 2022 (Unaudited)	Six months ended 30th June, 2021 (Unaudited)
	HK\$'million	HK\$'million
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Proceeds from sale of properties	1,826.9	661.8
Hotel operations and management services	984.2	322.0
Construction and construction-related income	1.9	1.7
Estate management fees	3.9	3.8
Other operations	23.3	29.1
	2,840.2	1,018.4
<i>Revenue from other sources</i>		
Rental income:		
Hotel properties	22.2	27.8
Investment properties	30.2	22.9
Aircraft	12.0	15.7
Others	2.1	2.3
Net gain from sale of financial assets at fair value through profit or loss	1.3	14.7
Interest income from financial assets at fair value through profit or loss	6.2	4.6
Dividend income from listed investments	3.3	4.3
Other operations	0.4	0.4
	77.7	92.7
	2,917.9	1,111.1

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Revenue from contracts with customers

Disaggregated revenue information

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

For the six months ended 30th June, 2022					
Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Types of goods or services					
Construction and construction-related income	–	1.9	–	–	1.9
Sale of properties	1,826.9	–	–	–	1,826.9
Estate management fees	–	3.9	–	–	3.9
Hotel operations and management services					
Hotel operations	–	–	982.7	–	982.7
Management services	–	–	1.5	–	1.5
Other operations	–	–	–	23.3	23.3
Total revenue from contracts with customers	<u>1,826.9</u>	<u>5.8</u>	<u>984.2</u>	<u>23.3</u>	<u>2,840.2</u>
Geographical markets					
Hong Kong	796.6	5.8	983.0	23.3	1,808.7
Mainland China	1,030.3	–	1.2	–	1,031.5
Total revenue from contracts with customers	<u>1,826.9</u>	<u>5.8</u>	<u>984.2</u>	<u>23.3</u>	<u>2,840.2</u>
Timing of revenue recognition					
At a point in time	1,826.9	0.1	83.2	11.6	1,921.8
Over time	–	5.7	901.0	11.7	918.4
Total revenue from contracts with customers	<u>1,826.9</u>	<u>5.8</u>	<u>984.2</u>	<u>23.3</u>	<u>2,840.2</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30th June, 2021					
Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Types of goods or services					
Construction and construction-related income	–	1.7	–	–	1.7
Sale of properties	661.8	–	–	–	661.8
Estate management fees	–	3.8	–	–	3.8
Hotel operations and management services					
Hotel operations	–	–	319.5	–	319.5
Management services	–	–	2.5	–	2.5
Other operations	–	–	–	29.1	29.1
Total revenue from contracts with customers	<u>661.8</u>	<u>5.5</u>	<u>322.0</u>	<u>29.1</u>	<u>1,018.4</u>
Geographical markets					
Hong Kong	652.3	5.5	319.7	29.1	1,006.6
Mainland China	9.5	–	2.3	–	11.8
Total revenue from contracts with customers	<u>661.8</u>	<u>5.5</u>	<u>322.0</u>	<u>29.1</u>	<u>1,018.4</u>
Timing of revenue recognition					
At a point in time	661.8	0.1	90.8	8.5	761.2
Over time	–	5.4	231.2	20.6	257.2
Total revenue from contracts with customers	<u>661.8</u>	<u>5.5</u>	<u>322.0</u>	<u>29.1</u>	<u>1,018.4</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

For the six months ended 30th June, 2022					
Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Revenue from contracts with customers					
External customers	1,826.9	5.8	984.2	23.3	2,840.2
Intersegment sales	0.7	2.0	–	88.3	91.0
	<u>1,827.6</u>	<u>7.8</u>	<u>984.2</u>	<u>111.6</u>	<u>2,931.2</u>
Intersegment adjustments and eliminations	(0.7)	(2.0)	–	(88.3)	(91.0)
Total revenue from contracts with customers	<u>1,826.9</u>	<u>5.8</u>	<u>984.2</u>	<u>23.3</u>	<u>2,840.2</u>

For the six months ended 30th June, 2021					
Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Revenue from contracts with customers					
External customers	661.8	5.5	322.0	29.1	1,018.4
Intersegment sales	–	17.5	–	53.0	70.5
	<u>661.8</u>	<u>23.0</u>	<u>322.0</u>	<u>82.1</u>	<u>1,088.9</u>
Intersegment adjustments and eliminations	–	(17.5)	–	(53.0)	(70.5)
Total revenue from contracts with customers	<u>661.8</u>	<u>5.5</u>	<u>322.0</u>	<u>29.1</u>	<u>1,018.4</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

	Six months ended 30th June, 2022 (Unaudited)	Six months ended 30th June, 2021 (Unaudited)
	HK\$'million	HK\$'million
<u>Other income and gains, net</u>		
Bank interest income	7.0	7.3
Other interest income	7.1	11.2
Dividend income from unlisted investments	0.8	17.5
Gain/(Loss) on disposal of unlisted investments included in financial assets at fair value through profit or loss	5.7	(12.9)
Compensation received in relation to refinancing of a bank loan	23.7	–
Others	7.1	5.4
	<u>51.4</u>	<u>28.5</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

4. Profit/(Loss) Before Tax

The Group's profit/(loss) before tax includes the following items:

	Six months ended 30th June, 2022 (Unaudited)	Six months ended 30th June, 2021 (Unaudited)
	HK\$'million	HK\$'million
Profit on disposal of properties	<u>709.3</u>	<u>353.2</u>
Depreciation of property, plant and equipment	193.5	175.6
Depreciation of right-of-use assets	171.5	146.7
Amortisation of intangible asset	–	0.7
	<u>365.0</u>	<u>323.0</u>
Government subsidies* (included in cost of sales, other income and gains, net and administrative expenses)	<u>20.8</u>	<u>10.5</u>

* The Government subsidies were granted under the Anti-epidemic Fund during the period. There are no unfulfilled conditions relating to these grants.

5. Finance Costs

	Six months ended 30th June, 2022 (Unaudited)	Six months ended 30th June, 2021 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans	167.9	114.2
Interest on other borrowings	–	53.7
Interest expenses arising from revenue contracts	8.6	58.3
Interest on lease liabilities	0.3	0.2
Amortisation of debt establishment costs	<u>25.8</u>	<u>37.6</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	202.6	264.0
Other loan costs	<u>2.5</u>	<u>5.5</u>
	205.1	269.5
Less: Finance costs capitalised	<u>(12.1)</u>	<u>(91.1)</u>
	<u>193.0</u>	<u>178.4</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

6. Income Tax

	Six months ended 30th June, 2022 (Unaudited)	Six months ended 30th June, 2021 (Unaudited)
	HK\$'million	HK\$'million
Current – Hong Kong		
Charge for the period	54.4	18.8
Overprovision in prior years	(0.3)	(0.1)
Current – the People's Republic of China (the "PRC") and overseas		
Charge for the period	84.7	1.1
PRC land appreciation tax	64.2	0.2
Deferred	(61.0)	(32.1)
Total tax charge/(credit) for the period	<u>142.0</u>	<u>(12.1)</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2021 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

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

The share of tax attributable to associates amounted to HK\$0.1 million (2021 - HK\$1.1 million) is included in "Share of profits and losses of 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, 2022, nor has any dividend been proposed since the end of the reporting period (2021 - Nil).

8. Earnings/(Loss) Per Ordinary Share Attributable to Equity Holders of the Parent

(a) Basic earnings/(loss) per ordinary share

The calculation of the basic earnings per ordinary share for the period ended 30th June, 2022 is based on the profit for the period attributable to equity holders of the parent of HK\$230.9 million (2021 - loss of HK\$136.4 million), adjusted for the share of distribution related to perpetual securities of the RHIHL Group of HK\$39.7 million (2021 - HK\$39.3 million), and on the weighted average of 1,114.6 million (2021 - 1,114.6 million) ordinary shares of the Company in issue during the period.

(b) Diluted earnings/(loss) per ordinary share

No adjustment was made to the basic earnings/(loss) per ordinary share for the periods ended 30th June, 2022 and 2021 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the periods.

9. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$289.5 million (31st December, 2021 - HK\$45.4 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, 2022 (Unaudited)	31st December, 2021 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	278.6	31.7
4 to 6 months	3.9	5.9
7 to 12 months	6.2	7.6
Over 1 year	28.4	27.0
	317.1	72.2
Impairment	(27.6)	(26.8)
	289.5	45.4

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

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

Included in the balance are amounts due from a fellow subsidiary and a related company of HK\$0.7 million (31st December, 2021 - HK\$0.6 million) and HK\$1.2 million (31st December, 2021 - HK\$1.2 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

Also included in the balance is an amount of HK\$4.5 million (31st December, 2021 - HK\$25.4 million) in relation to the prepaid commission for sales of properties which is classified as contract costs in accordance with HKFRS 15.

10. Creditors and Accruals

Included in the balance is an amount of HK\$43.0 million (31st December, 2021 - HK\$45.3 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, 2022 (Unaudited)	31st December, 2021 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	42.9	45.2
4 to 6 months	0.1	0.1
	<u>43.0</u>	<u>45.3</u>

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

Included in the balance under current liabilities are amounts due to fellow subsidiaries and associates of HK\$3.5 million (31st December, 2021 - HK\$3.6 million) and HK\$2.9 million (31st December, 2021 - HK\$3.5 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

11. Interest Bearing Bank Borrowings

	30th June, 2022 (Unaudited)		31st December, 2021 (Audited)	
	Maturity	HK\$'million	Maturity	HK\$'million
Current				
Bank loans – secured	2022-2023	3,225.5	2022	3,329.5
Non-current				
Bank loans – secured	2023-2027	15,969.1	2023-2026	16,764.7
		<u>19,194.6</u>		<u>20,094.2</u>

	30th June, 2022 (Unaudited)	31st December, 2021 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	3,225.5	3,329.5
In the second year	3,828.8	5,754.8
In the third to fifth years, inclusive	12,140.3	11,009.9
	<u>19,194.6</u>	<u>20,094.2</u>

On 10th August, 2021, Regal REIT group, through its wholly-owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$500.0 million (the "2021 IH Facilities"), for a term of five years. The 2021 IH Facilities are secured by four of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. As at 30th June, 2022, the 2021 IH Facilities had outstanding amount of HK\$4,643.0 million, representing the full amount of the term loan facility and an amount of HK\$143.0 million under the revolving loan facility.

On 8th March, 2018, Regal REIT group, through its wholly-owned subsidiary, Ricobem Limited, arranged a bilateral term loan facility of HK\$3,000.0 million (the "2018 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. This facility has a term of five years to March 2023. In late June 2022, Regal REIT group concluded a 5-year term loan facility of HK\$2,950.0 million (the "2022 RKH Facility") with a new lender, similarly secured by the Regal Kowloon Hotel, which was used to refinance the then outstanding term loan facility of HK\$3,000.0 million originally due to mature in March 2023. The 2022 RKH Facility has repayment obligations of HK\$50.0 million at each of its anniversary date to maturity. As at 30th June, 2022, the outstanding amount of the 2022 RKH Facility was HK\$2,950.0 million, representing the full amount of the term loan facility.

On 19th July, 2019, Regal REIT group, through its wholly owned subsidiary, Sonnix Limited, entered into a facility agreement for a term loan facility of HK\$440.0 million (the "2019 WC Facility"), for a term of five years to July 2024. The 2019 WC Facility is secured by the iclub Wan Chai Hotel. On 22nd June, 2020, its principal amount was revised to HK\$405.0 million for the purpose of compliance with an undertaking in the facility agreement. As at 30th June, 2022, the outstanding facility amount of the 2019 WC Facility was HK\$405.0 million.

On 19th October, 2018, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million (the "2018 SW Facilities"), secured by the iclub Sheung Wan Hotel. The 2018 SW Facilities have a term of five years to October 2023. As at 30th June, 2022, the utilised amount of the 2018 SW Facilities was HK\$790.0 million, representing the full amount of the term loan facility and a revolving loan amount of HK\$158.0 million.

On 29th November, 2018, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (subsequently reduced to HK\$44.0 million in September 2020) (the "2018 FH Facilities"), secured by the iclub Fortress Hill Hotel. The 2018 FH Facilities have a term of five years to November 2023. As at 30th June, 2022, the outstanding amount of the 2018 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

On 4th September, 2017, Regal REIT group, through its wholly owned subsidiary, Land Crown International Limited, arranged a term loan facility of HK\$748.0 million (the "2017 MTW Facility"), secured by the iclub Ma Tau Wai Hotel. The 2017 MTW Facility has a term of three years to September 2020. On 27th August, 2020, a supplement to 2017 MTW Facility agreement was entered into to amend the principal loan amount to HK\$621.0 million (the "2020 MTW Facility"), for a new term of three years to September 2023. As at 30th June, 2022, the outstanding amount of the 2020 MTW Facility was HK\$621.0 million, representing the full amount of the term loan facility.

As at 30th June, 2022, the outstanding loan facilities of Regal REIT group bore interest at the Hong Kong Interbank Offered Rate ("HIBOR") plus an interest margin ranging from 1.05% per annum to 1.8% per annum (31st December, 2021 - ranging from 0.92% per annum to 1.8% per annum).

Bank borrowings under the 2021 IH Facilities, the 2022 RKH Facility, the 2019 WC Facility, the 2018 SW Facilities, the 2018 FH Facilities and the 2020 MTW Facility are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

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

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

As at 30th June, 2022, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 1.06% per annum to 2.75% per annum except for a bank loan of HK\$19.0 million, which bore interest at Euro Interbank Offered Rate ("EURIBOR") plus an interest margin of 2.5% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for a bank loan of HK\$19.0 million which was denominated in Euro.

As at 31st December, 2021, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.95% per annum to 2.75% per annum except for a bank loan of HK\$20.4 million, which bore interest at EURIBOR plus an interest margin of 2.5% per annum and bank loans of HK\$20.6 million, which bore interest at the bank's cost of fund plus an interest margin of 0.75% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$41.0 million which were denominated in Euro.

Included in interest bearing bank borrowings under current liabilities is an amount of HK\$1,169.2 million (31st December, 2021 - HK\$1,514.3 million) which represents the outstanding balance of revolving loan facilities with remaining tenors of over 12 months.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 14 to the condensed consolidated financial statements.

12. Notes to the Condensed Consolidated Statement of Cash Flows

Cash and cash equivalent balances

	Six months ended 30th June, 2022 (Unaudited)	Six months ended 30th June, 2021 (Unaudited)
	HK\$'million	HK\$'million
Cash and bank balances	977.9	2,956.6
Non-pledged time deposits with an original maturity of less than three months when acquired	746.9	697.5
Non-pledged time deposit with an original maturity of more than three months when acquired	10.0	11.3
Cash and cash equivalents	<u>1,734.8</u>	<u>3,665.4</u>

13. Related Party Transactions

(a) Transactions with related parties

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

	Six months ended 30th June, 2022 (Unaudited)	Six months ended 30th June, 2021 (Unaudited)
	HK\$'million	HK\$'million
A wholly owned subsidiary of the listed ultimate holding company: Management fees	34.1	33.2
Associates: Advertising and promotion fees (including cost reimbursements)	2.9	4.9
Interest income	2.3	2.3
A company owned by a family member of a Director of the Company: Rental income	0.7	–

The nature and terms of the above related party transactions have not changed and were already disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2021.

(b) Outstanding balances with related parties, net of impairment:

	30th June, 2022 (Unaudited)	31st December, 2021 (Audited)
	HK\$'million	HK\$'million
Loans to an associate	407.4	447.6
Due from associates	5.3	5.5
Due from a fellow subsidiary	0.7	0.6
Due from a related company	1.2	1.2
Due to fellow subsidiaries	(3.5)	(3.6)
Due to associates	(2.9)	(3.5)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

	Six months ended 30th June, 2022 (Unaudited)	Six months ended 30th June, 2021 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	23.6	23.0
Staff retirement scheme contributions	<u>1.7</u>	<u>1.6</u>
Total compensation paid to key management personnel	<u><u>25.3</u></u>	<u><u>24.6</u></u>

14. Pledge of Assets

As at 30th June, 2022, 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\$31,377.4 million (31st December, 2021 - HK\$32,168.1 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, 2022, certain ordinary shares in a listed subsidiary with a market value of HK\$282.4 million (31st December, 2021 - HK\$266.7 million) were also pledged to secure general banking facilities granted to the Group.

15. Contingent Liabilities

As at 30th June, 2022, the Group had contingent liabilities for corporate guarantees provided in respect of a banking facility granted to an associate in the amount of HK\$400.0 million (31st December, 2021 - HK\$357.2 million) which was fully utilised. In addition, corporate guarantees were given to certain banks by the Group for demand and performance bonds issued by the banks in relation to certain property development projects amounting to approximately HK\$15.0 million (31st December, 2021 - HK\$15.0 million) as at 30th June, 2022.

In addition, at the end of the reporting period, the Cosmopolitan Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of its properties amounting to approximately RMB633.4 million (HK\$741.0 million) (31st December, 2021 - RMB700.7 million (HK\$857.0 million)). The Cosmopolitan Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

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

16. Capital Commitments

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

	30th June, 2022 (Unaudited)	31st December, 2021 (Audited)
	HK\$'million	HK\$'million
Contracted, but not provided for: Property development projects	<u>596.1</u>	<u>698.5</u>

17. Fair Value and Fair Value Hierarchy of Financial Instruments

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

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

Fair value hierarchy

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

Assets measured at fair value as at 30th June, 2022

	Fair value measurement using			Total (Unaudited) HK\$'million
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'million	Significant observable inputs (Level 2) (Unaudited) HK\$'million	Significant unobservable inputs (Level 3) (Unaudited) HK\$'million	
Financial assets designated at fair value through other comprehensive income:				
Listed equity investment	193.4	–	–	193.4
Unlisted equity investment	–	–	44.6	44.6
Unlisted fund investments	–	–	18.3	18.3
Financial assets at fair value through profit or loss:				
Listed equity investments	254.3	–	–	254.3
Listed debt investments	–	220.8	–	220.8
Unlisted equity investments	–	–	115.0	115.0
Unlisted fund investments	–	–	648.8	648.8
Unlisted debt investments	–	–	11.5	11.5
	447.7	220.8	838.2	1,506.7

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Assets measured at fair value as at 31st December, 2021

	Fair value measurement using			Total (Audited) HK\$'million
	Quoted prices in active markets (Level 1) (Audited) HK\$'million	Significant observable inputs (Level 2) (Audited) HK\$'million	Significant unobservable inputs (Level 3) (Audited) HK\$'million	
Financial assets designated at fair value through other comprehensive income:				
Listed equity investment	525.2	–	–	525.2
Unlisted equity investment	–	–	46.6	46.6
Unlisted fund investments	–	–	18.7	18.7
Financial assets at fair value through profit or loss:				
Listed equity investments	172.4	–	–	172.4
Listed debt investments	–	73.4	–	73.4
Unlisted equity investments	–	–	135.5	135.5
Unlisted fund investments	–	–	567.7	567.7
Unlisted debt investments	–	–	7.8	7.8
Derivative financial instruments	–	26.3	–	26.3
	<u>697.6</u>	<u>99.7</u>	<u>776.3</u>	<u>1,573.6</u>

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

	2022 (Unaudited) HK\$'million	2021 (Audited) HK\$'million
At 1st January	776.3	858.2
Purchases	110.5	51.3
Distributions	(3.7)	(12.4)
Unrealised losses recognised in profit or loss	(39.4)	(17.4)
Disposals	(3.5)	(104.6)
Exchange realignment	(2.0)	1.2
At 30th June/31st December	<u>838.2</u>	<u>776.3</u>

Liabilities measured at fair value as at 30th June, 2022

The Group did not have any financial liabilities measured at fair value as at 30th June, 2022 (31st December, 2021 - Nil).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (year ended 31st December, 2021 - Nil).

Valuation techniques

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

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

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

The fair values of the derivative financial instruments, including put options, was determined based on market values provided by financial institutions.

18. Approval of the Unaudited Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 25th August, 2022.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2022)
			Personal interests	Corporate interests	Family/Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
	Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
	Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	110,887,396	2,032,315,326 (Note a)	380,683	2,143,583,405 (69.29%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
	Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)

OTHER INFORMATION (Cont'd)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at 30th June, 2022)
				Personal interests	Corporate interests	Family/Other interests	
3.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		Miss Lo Po Man	Ordinary (issued)	300,000	269,169 (Note d)	–	569,169 (0.06%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	4,726,526,144 (Note e)	–	4,726,526,144
			(ii) (unissued)	–	3,045,487,356 (Note f)	–	3,045,487,356
							Total: 7,772,013,500 (121.58%)
			Preference (issued)	–	2,295,487,356 (Note f)	–	2,295,487,356 (99.99%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.04%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.02%)
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note h)	–	1,000 (100%)

Notes:

- (a) (i) The interests in 1,929,911,928 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").
- (ii) The interests in the other 102,403,398 issued ordinary shares of CCIHL were derivative interests held by YSL International Holdings Limited ("YSL Int'l"), a company wholly owned by Mr. Lo, under the right of first refusal to purchase such shares granted by the Dalton Group (comprising Dalton Investments LLC and its two affiliates).
- (b) The interests in 694,124,547 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 65.96% shareholding interests.

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

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

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

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

- (c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 65.96% shareholding interests. The interests in 622,433,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 62.28% shareholding interests. The Company held 69.25% shareholding interests in RHIHL.
- (d) The interests in 269,169 issued ordinary shares of RHIHL were held through a company wholly owned by Miss Lo Po Man.
- (e) The interests in 3,128,001,480 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings Limited ("P&R Holdings"), which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The interests in the other 1,065,191,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of RHIHL. The interests in the other 533,333,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 65.96% shareholding interests in CCIHL.
- (f) The interests in 3,045,487,356 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 65.96% shareholding interests in CCIHL.

The interests in 2,295,487,356 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,295,487,356 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 750,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds in a principal amount of HK\$500,000,000 issued by a wholly owned subsidiary of Cosmopolitan. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

OTHER INFORMATION (Cont'd)

- (g) The interests in 2,439,613,739 issued units of Regal REIT were held through wholly owned subsidiaries of RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 65.96% shareholding interests in CCIHL.
- (h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 65.96% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2022, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2022, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at 30th June, 2022
YSL Int'l (Note i)	694,124,547	–	694,124,547	62.28%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	694,124,547	–	694,124,547	62.28%
CCIHL (Note iii)	694,124,547	–	694,124,547	62.28%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	694,124,547	–	694,124,547	62.28%
Almighty International Limited ("Almighty") (Note iv)	346,994,526	–	346,994,526	31.13%
Cleverview Investments Limited ("Cleverview") (Note iv)	180,811,470	–	180,811,470	16.22%

Notes:

- (i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.
- (iii) CCIHL is owned as to 52.70% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.
- (iv) These companies are wholly owned subsidiaries of CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30th June, 2022, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

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

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

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the financial year ended 31st December, 2021 is set out below:

Name of Director	Details of changes
-------------------------	---------------------------

Independent Non-Executive Director:

- | | |
|-----------------------------------|--|
| Mr. Abraham Shek Lai Him, GBS, JP | <ul style="list-style-type: none">Re-designated as the chairman of Goldin Financial Holdings Limited, a company listed on the Stock Exchange, with effect from 6th June, 2022. |
|-----------------------------------|--|

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30th June, 2022, except that:

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

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg Code"), on terms no less exacting than the required standard set out in the Model Code, as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Paliburg Code during the six months ended 30th June, 2022.

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, 2022.

REVIEW OF RESULTS

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

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

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

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

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

The Audit Committee has reviewed and discussed with the Company's management the accounting principles and practices adopted by the Group, auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2022, in conjunction with the external auditor. The review report of the external auditor is set out on page 64 of this report.



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

Introduction

We have reviewed the interim financial information of Paliburg Holdings Limited (the “Company”) and its subsidiaries set out on pages 26 to 56, which comprises the condensed consolidated statement of financial position as at 30th June, 2022 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

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

25th August, 2022

www.paliburg.com.hk