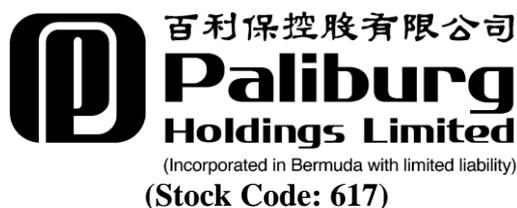


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ANNOUNCEMENT OF 2022 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2022	Year 2021	% Change
	HK\$'M	HK\$'M	
Revenue	4,003.7	4,015.6	-0.3%
Gross profit	1,724.9	1,491.4	+15.7%
Operating profit before depreciation and amortisation, finance costs and tax	1,086.4	606.1	+79.2%
Loss for the year attributable to equity holders of the parent	(217.7)	(397.5)	-45.2%
Basic loss per ordinary share attributable to equity holders of the parent	HK(26.67) cents	HK(42.72) cents	-37.6%
	As at 31st December,		
	Year 2022	Year 2021	
	(Unaudited)	(Unaudited)	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	HK\$10.56	HK\$11.03	-4.3%
*Adjusted	HK\$15.23	HK\$15.00	+1.5%

* compiled, for the purpose of reference, on an adjusted basis to restate the hotel property portfolio owned by the Group in Hong Kong at its market value at 31st December, 2021 and 2022, respectively, with the relevant deferred tax liabilities added back

- **For the year ended 31st December, 2022, the Group recorded a consolidated loss attributable to shareholders of HK\$217.7 million, as compared to a loss of HK\$397.5 million incurred in the preceding year.**
- **For the year under review, the Group attained a gross profit of HK\$1,724.9 million (2021 – HK\$1,491.4 million). After accounting for mainly the administrative and property selling and marketing expenses, the operating profit before depreciation and amortisation, finance costs and tax amounted to HK\$1,086.4 million (2021 – HK\$606.1 million).**
- **Apart from properties, hotels comprise another core assets of the Group. Total depreciation charges for the year on the 11 hotels in Hong Kong that are wholly owned and operated within the Group amounted to HK\$693.8 million, including an amount of HK\$121.0 million on the new Regala Skycity Hotel. Although these depreciation charges do not have any immediate impact on the Group’s cash flow, they have nevertheless adversely affected the Group’s financial results.**
- **If the Group’s hotel properties were instead to be stated in the Group’s consolidated financial statements at their fair values, with no depreciation charges required, the Group would have reported a profit for the year under review.**
- **The property development and investment business of the Group is principally undertaken through P&R Holdings Limited (a 50/50 joint venture with Regal Hotels International Holdings Limited and, effectively, a subsidiary undertaking of the Group) and, at appropriate times, by Regal itself.**
- **The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R. The development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. Up to 31st December, 2022, a total of 17 garden houses and 52 apartments have been sold or contracted to be sold at satisfactory prices, of which the sale transactions for 14 houses and 39 apartment units had been completed. Sale transactions that were completed in 2022 included 6 houses and 12 apartments and the profits therefrom attributable to the Group have been accounted for in the results for the year under review. Since the last year end date, 3 houses and 1 apartment unit have additionally been contracted to be sold at satisfactory prices.**

- **Apart from Mount Regalia, P&R owns a mixed portfolio of completed properties and hotels as well as properties held for development in Hong Kong. These included the We Go MALL in Ma On Shan, Sha Tin, the iclub Mong Kok Hotel and a 50% interest in the iclub AMTD Sheung Wan Hotel. These properties are all being held for their operating and recurring income.**
- **On the property development side, P&R owns a commercial/residential project at Kam Wa Street in Shau Kei Wan and requisite majority ownership interests in certain existing properties for a composite commercial/residential redevelopment at Castle Peak Road. In addition, P&R also owns some remaining shop units and carparks in The Ascent in Sham Shui Po and retained houses in Casa Regalia in Yuen Long, both of which are property developments completed by P&R in earlier years.**
- **Detailed information on the business operations of the three listed subsidiaries of the Company, namely, Regal (the principal listed subsidiary of the Company), Regal Real Estate Investment Trust (a listed subsidiary of Regal through which 9 hotels of the Group in Hong Kong are owned) and Cosmopolitan International Holdings Limited (which primarily engages in property development and investment in China), are contained in their separate results announcements released today.**
- **Having regard to the resilience of the Hong Kong economy and the strong underlying demand for different types of properties, the property market in Hong Kong is expected to steadily revive. However, the high level of interest rates and the external environment are posing significant uncertainties.**
- **The Group owns through P&R and its listed subsidiaries a solid portfolio of quality assets in the property and hotel sectors, which are contributing steady revenues. Having successfully steered through the past difficult years caused by the pandemic, the Directors are optimistic that the Group's businesses will be able to deliver improving performance, in tandem with the pace of economic recoveries in Hong Kong and China.**

FINANCIAL RESULTS

For the year ended 31st December, 2022, the Group recorded a consolidated loss attributable to shareholders of HK\$217.7 million, as compared to a loss of HK\$397.5 million incurred in the preceding year.

The Group reported an unaudited consolidated profit of HK\$230.9 million in the six months ended 30th June, 2022. The interim profit attained was primarily attributable to the profits from sale of properties mainly derived from the sale of the houses and apartment units in Mount Regalia in Kau To developed by P&R Holdings Limited as well as from 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 relevant sale transactions of which were completed in the 2022 interim period. Furthermore, the steady income generated by the seven hotels of the Group that were operating as quarantine hotels or facilities under the various quarantine or isolation schemes implemented by the Hong Kong Government has also contributed to the satisfactory financial results attained in the first half of 2022.

However, due to the rapid hike in the Hong Kong Interbank Offered Rates (HIBOR), on which the borrowing costs of most of the bank loans of the Group are based, the financial expenses incurred by the Group in the second half of 2022 had substantially increased. Moreover, following the formal closure of the quarantine scheme by the Hong Kong Government in late September 2022, the Group's hotels that were operating as quarantine hotels or facilities had to take up some transitional time to prepare themselves for the resumption of normal business operations. This has also affected the overall income of the Group's hotel operations in the second half of 2022. In addition, as the profits from property sales accounted for in the second half of 2022 was much lower than the level attained in the first six months, the Group reported a loss for the whole year of 2022 but the quantum has reduced as compared with 2021.

For the year under review, the Group attained a gross profit of HK\$1,724.9 million (2021 – HK\$1,491.4 million). After accounting for mainly the administrative and property selling and marketing expenses, the operating profit before depreciation and amortisation, finance costs and tax amounted to HK\$1,086.4 million (2021 – HK\$606.1 million, as there

was during that year a one-off impairment loss on goodwill relating to the Group's investment in Cosmopolitan in an amount of HK\$261.0 million).

Apart from property development and investment, another core asset of the Group comprises investments in hotels. As at 31st December, 2022, the Group held a portfolio of 12 hotels operating in Hong Kong. Except for the iclub AMTD Sheung Wan Hotel that is owned by a joint venture 50% held by P&R, all the other 11 hotels are wholly owned and operated within the Group and subject to depreciation charges to conform to applicable accounting standards. Total depreciation charges on these 11 hotels in the year under review amounted to HK\$693.8 million, including an amount of HK\$121.0 million on the new Regala Skycity Hotel. Although these depreciation charges do not have any immediate impact on the Group's cash flow, they have nevertheless adversely affected the Group's financial results. After further accounting for the increased finance costs and the income tax incurred (most of which was related to the property projects in China), the Group recorded a loss attributable to shareholders of HK\$217.7 million.

If the Group's hotel properties were instead to be stated in the Group's consolidated financial statements at their fair values, with no depreciation charges required, the Group would have reported a profit for the year under review.

Supplementary information showing the adjusted net asset value of the Company of HK\$15.23 per share as at 31st December, 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 announcement.

BUSINESS OVERVIEW

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

As at 31st December, 2022, the Group directly held, through its wholly owned subsidiaries, a controlling shareholding interest of approximately 69.3% in Regal. Regal, in turn, held

approximately 74.9% of the outstanding units of Regal Real Estate Investment Trust, the listed subsidiary of Regal that presently owns five Regal Hotels and four iclub Hotels in Hong Kong. Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager of Regal REIT.

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

Apart from its property business, P&R also holds an effective controlling shareholding interest in Cosmopolitan, which is primarily engaged in property business in China and other investments. As at 31st December, 2022, P&R held 49.2% of the issued ordinary shares of Cosmopolitan and, in addition, holdings in the convertible bonds and convertible preference shares of Cosmopolitan. If all its holdings in the convertible bonds and convertible preference shares of Cosmopolitan are converted, P&R's shareholding interest in Cosmopolitan will amount to 65.6% of Cosmopolitan's enlarged capital, based on its existing capital structure.

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

PROPERTIES

Due to the outbreak of the fifth wave of the COVID-19 pandemic in Hong Kong in the first half of 2022, the blocking of traffic with the Mainland, the rising interest rates and the continuously weak market sentiment, the property sector in Hong Kong underwent a marked correction in 2022. Although core underlying demand for residential properties remains strong, many prospective purchasers have been deferring their buying decisions, pending the revival of a more positive economic outlook. Transaction volume contracted sharply, both in the primary as well as the secondary markets. The average price of residential flats dropped by more than 15% during the year, ending the rising trend that has persisted in Hong Kong for over a decade.

Under this unfavourable market environment, the marketing plan and the sale progress of the Group's property projects in Hong Kong have been affected.

The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R. The development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. Up to 31st December, 2022, a total of 17 garden houses and 52 apartments have been sold or contracted to be sold at satisfactory prices, of which the sale transactions for 14 houses and 39 apartment units had been completed. Sale transactions that were completed in 2022 included 6 houses and 12 apartments and the profits therefrom attributable to the Group have been accounted for in the results for the year under review. Since the last year end date, 3 houses and 1 apartment unit have additionally been contracted to be sold at satisfactory prices.

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

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

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

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2022, Regal recorded a consolidated loss attributable to shareholders of HK\$358.3 million, as compared to a loss of HK\$494.4 million incurred in the preceding financial year.

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

REGAL REAL ESTATE INVESTMENT TRUST

For the year ended 31st December, 2022, Regal REIT recorded a consolidated profit before distributions to Unitholders of HK\$929.9 million, as compared to a profit of HK\$577.1 million for the financial year 2021.

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

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2022, Cosmopolitan recorded a profit attributable to shareholders of HK\$4.0 million, while in the preceding year, a profit of HK\$33.6 million was attained.

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

OUTLOOK

After three years of significant business disruptions, Hong Kong is back on the path for a sustainable recovery. The Hong Kong Government has recently introduced a number of policies to attract foreign investments and talents from China and overseas, which should help to strengthen the competitiveness of Hong Kong in the long term.

With the resurging influx of inbound visitors from China, the investor sentiment in Hong Kong has improved. Market responses towards sales and/or presales of residential units launched by developers recently have been favourable and the prices of different classes of residential properties have also stabilised. Although the tender results of the land sales by the Hong Kong Government in the past few months were below market expectations, that can be attributed to the huge size of their capital commitments involved while the overall financial environment was still relatively weak.

Having regard to the resilience of the Hong Kong economy and the strong underlying demand for different types of properties, the property market in Hong Kong is expected to steadily revive. However, the high level of interest rates and the external environment are posing significant uncertainties.

The Group owns through P&R and its listed subsidiaries a solid portfolio of quality assets in the property and hotel sectors, which are contributing steady revenues. Having successfully steered through the past difficult years caused by the pandemic, the Directors are optimistic that the Group's businesses will be able to deliver improving performance, in tandem with the pace of economic recoveries in Hong Kong and China.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses, hotel ownership,

hotel operation and management, asset management, aircraft ownership and leasing and other investments including financial assets investments.

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

Cosmopolitan is a listed subsidiary of the Group held through P&R. The principal business activities of the Cosmopolitan group comprise property development and investment, which are mainly focused in the 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 Regal, Regal REIT and Cosmopolitan for the year, 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 sections headed "Business Overview" and "Outlook" above and in this sub-section as well as in the respective annual results announcements for 2022 released by Regal, Regal REIT and Cosmopolitan.

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

P&R HOLDINGS LIMITED

P&R is a 50/50 owned joint venture established with Regal, with capital contributions provided by the Company and Regal on a pro-rata basis in accordance with their respective shareholdings. As the Company owns a controlling shareholding interest in Regal, P&R is, effectively, a subsidiary of the Company. P&R's business scope encompasses the development of real estate projects for sale and/or leasing, the undertaking of related investment and financing activities, and the acquisition or making of any investments (directly or indirectly) in the financial assets of or interests in, or extending loans to, any private, public or listed corporations or

undertakings that have interests in real estate projects or other financial activities where the underlying assets or security comprise real estate properties.

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

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

This residential project, which was completed in 2016, has a site area of approximately 11,192 square metres (120,470 square feet) and provides a total of 170 units, comprising 36 garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet).

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

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

This development has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. This shopping mall was opened for business in 2018 and is held for rental income. The leasing status of this shopping mall remained stable during the year. It is anticipated that, after the uplifting of the pandemic restrictions, its leased out ratio and rental levels will gradually improve.

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

This is a project undertaken pursuant to a tender award by the Urban Renewal Authority of Hong Kong in 2014. The land has a site area of 824.9 square metres (8,879 square feet) and has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement car parks. The project was

completed in 2018. All the residential units as well as certain shops and 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 20 garden houses and 53 apartment units have been sold or contracted to be sold at satisfactory prices (total sale price of HK\$4,300.8 million), of which the sale transactions for 15 houses and 45 apartment units (total sale price of HK\$3,422.3 million) have been completed. Sale transactions that were completed during the year included 6 houses and 12 apartment units (total sale price of HK\$997.2 million) and the profits derived therefrom already accounted for in the results under review. The remaining 4 houses and 83 apartments command significant sale value and, apart from the house that is being used as property, plant and equipment, they will continue to be sold on a gradual basis.

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

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

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

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

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and has been developed into a hotel with 98 guestrooms and suites (total 162 room bays), with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 7,118 square metres (76,618 square feet).

Following the divesture by P&R of a 50% beneficial interest in December 2019, the property is presently 50% owned by each of P&R and AMTD Properties (HK) Limited. This hotel was officially opened for business in November 2020 and has since been self-operated by the joint venture entity and managed by the Regal 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 legal procedures for Land Compulsory Sale through the Lands Tribunal to consolidate 100% ownership interests in the relevant properties are progressing.

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

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

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

Hong Kong

Regala Skycity Hotel, the Hong Kong International Airport

In February 2017, a wholly owned subsidiary of Regal was awarded by the Airport Authority in Hong Kong the development right for 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 BEAM Plus Certification and EarthCheck Design Certified Gold Rating. The hotel licence was issued in November 2021. The hotel was soft opened for business in December 2021 and its grand opening will be launched in April 2023.

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

The project has a combined site area of 682 square metres (7,342 square feet) and has been developed into a commercial/residential development with gross floor area of about 5,826 square metres (62,711 square feet). The development has a total of 130 residential units with

club house facilities on the second floor and commercial accommodations on the ground and first floors. The occupation permit for this development was obtained in August 2022.

The presale of the first batch of the residential units was first launched in April 2021 and the sale transactions for the units presold have been duly completed before the end of 2022.

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

The judicial proceedings for the Land Compulsory Sale have been completed and the Regal group presently owns 100% ownership interests in the subject redevelopment properties. The properties have a total site area of 431 square metres (4,644 square feet) and are intended for a commercial/residential development with gross floor area of about 3,691 square metres (39,733 square feet).

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

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

Overseas

Campus La Mola, Barcelona, Spain

This hotel property has a total of 186 guestrooms and was acquired by the Regal group in 2014. The hotel was initially operated by the Regal group and was subsequently leased to an independent third party pursuant to a lease agreement in September 2017. The Regal group has recently reached a formal settlement arrangement with the lessee of the property, pursuant to which the outstanding and disputed rentals and other related payments have been settled by the lessee and the lease with the lessee extended on more favourable leasing terms.

41 Kingsway, London WC2B 6TP, the United Kingdom

This is a freehold historical building located at a prime location in London, acquired by the Regal group in 2019. Currently vacant, this iconic property has total 9 storeys (including 1

basement) with a total gross floor area of approximately 2,150 square metres (23,140 square feet).

The rehabilitation plan is to conserve in whole the building's historical heritage. In view of the recent changes in the market environment, alternative business plans and readaptation programmes are under study with the aim to optimising the intrinsic value of this unique property.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

This is a rehabilitation and renovation project 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 Regal group. This building has a total gross floor area of about 1,836 square metres (19,768 square feet), comprising residential apartments as well as shops on ground floor. The renovation works are underway and expected to be completed by mid 2023. 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. 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\$2,337.8 million). The aggregate sale considerations of those presold residential units in the third stage, whose handover procedures were completed during the course of 2022, amounted to RMB787.3 million (HK\$915.6 million). The property income derived from the

completed sales of residential and commercial units and car parking spaces in the third stage, before impairment loss on ascribed goodwill, tax and selling expense, amounted to HK\$337.0 million, which has been accounted for in the year under review.

The sale of the shops with about 4,110 square metres (44,250 square feet) comprised in the third stage is in progress. Up to date, a total of 3,933 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, 453 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB49.5 million (HK\$56.6 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 year under review.

The interior construction works of the 325-room hotel for the procurement of the Completion Certificate are in progress and expected to be completed in the third quarter of 2023. The interior fitting-out works for the guestrooms and the podium based on the revised design scheme are planned to commence after the procurement of the Completion Certificate and the hotel is scheduled to open in phases after the completion of the respective fitting-out works.

The construction works of the remaining commercial components within the development, comprising a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) are 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 pre-sale of the shops of about 2,650 square metres (28,550 square feet) comprised in the commercial facilities has commenced in 2022. Up to date, a total of 229 square metres (2,465 square feet) of shops have been pre-sold or contracted to be pre-sold, at aggregate sale considerations of approximately RMB6.5 million (HK\$7.4 million).

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, 140 office units with a total of about 5,983 square meters (64,400 square feet) have been subscribed by prospective purchasers or presold under contracts, for an aggregate sale

consideration of RMB52.4 million (HK\$59.9 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 have been completed and the Completion Certificates obtained in March 2022. 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 and is now planned to be launched later this year. 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 repositioning 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's residential project at Domus and Casa Regalia as well as its other hotel projects in Hong Kong, namely, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel, iclub To Kwa Wan Hotel (formerly known as the iclub Ma Tau Wai Hotel) and iclub Mong Kok Hotel, all completed in the years between 2014 and 2019. Chatwin was also responsible for the construction management of the Mount Regalia project and the Regala Skycity Hotel project completed in 2019 and 2021 respectively. Chatwin will continue to seek public construction contracts while providing in-house services to the Group's construction projects including construction management, health and safety as well as quality assurance and compliance.

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

FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, private equities, bonds as well as treasury and yield enhancement products. The global capital market during the year was very difficult and volatile and the stock market in Hong Kong 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 during the year under review.

In April 2022, a wholly owned subsidiary of Regal 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 Regal 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 Regal 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 To Kwa Wan Hotel, were stated in the financial statements at their fair values as at 7th May, 2012 when Regal, together with Regal REIT, became subsidiaries of the Group, plus subsequent capital additions and deducting accumulated depreciation. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel were stated in the Group's financial statements at cost after full elimination of the unrealised gain arising from the disposal of the hotels by P&R to Regal REIT, while the iclub Mong Kok Hotel owned by P&R and the Regala Skycity Hotel owned by the Regal 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 consolidated financial statements at market value as at 31st December, 2022, the unaudited

adjusted net asset value of the ordinary shares of the Company would be HK\$15.23 per share, computed as follows:

	As at 31st December, 2022	
	HK\$'M	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	11,765.1	10.56
Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	5,208.4	4.67
Unaudited adjusted net assets attributable to equity holders of the parent	16,973.5	15.23

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 year under review amounted to HK\$706.0 million (2021 – HK\$716.2 million). Net interest payment for the year amounted to HK\$486.3 million (2021 – HK\$301.7 million).

Borrowings and Gearing

As at 31st December, 2022, the Group had cash and bank balances and deposits of HK\$2,372.3 million (2021 – HK\$3,033.6 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$17,302.8 million (2021 – HK\$17,060.6 million).

As at 31st December, 2022, the gearing ratio of the Group was 41.4% (2021 – 38.3%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK\$17,302.8 million (2021 – HK\$17,060.6 million), as compared to the total assets of the Group of HK\$41,787.2 million (2021 – HK\$44,517.2 million).

On the basis of the adjusted total assets as at 31st December, 2022 of HK\$51,120.5 million (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 33.8% (2021 – 32.6%).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2022 are shown in the consolidated financial statements ("Financial Statements") contained in the annual report of the Company for the year ended 31st December, 2022 (the "2022 Annual Report") to be published on or before 30th April, 2023.

Lease Liabilities

As at 31st December, 2022, the Group had lease liabilities of HK\$27.4 million (2021 – HK\$33.1 million).

Pledge of Assets

As at 31st December, 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\$30,936.1 million (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 31st December, 2022, certain ordinary shares in a listed subsidiary with a market value of HK\$275.4 million (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 31st December, 2022 are shown in the Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2022 are shown in the Financial Statements.

DIVIDEND

The Directors have resolved not to recommend the payment of a final dividend to holders of ordinary shares for the year ended 31st December, 2022 (2021 – Nil). No interim dividend was paid for the year ended 31st December, 2022 (2021 – Nil).

ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Tuesday, 13th June, 2023. The Notice of the Annual General Meeting will be published on the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company and sent to the shareholders of the Company, together with the Company’s 2022 Annual Report, in due course.

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2023 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Thursday, 8th June, 2023 to Tuesday, 13th June, 2023, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to be entitled to attend and vote at the 2023 Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company’s branch registrar in Hong Kong, Tricor Tengis Limited, no later than 4:30 p.m. on Wednesday, 7th June, 2023.

YEAR END RESULTS

Consolidated Statement of Profit or Loss

	Year ended 31st December, 2022	Year ended 31st December, 2021
	HK\$'M	HK\$'M
REVENUE (Notes 2 & 3)	4,003.7	4,015.6
Cost of sales	(2,278.8)	(2,524.2)
Gross profit	1,724.9	1,491.4
Other income and gains, net (Note 3)	81.0	59.4
Fair value gains/(losses) on investment properties, net	(28.9)	55.4
Fair value gain upon reclassification of a property held for sale to an investment property	–	63.6
Fair value losses on financial assets at fair value through profit or loss, net	(48.2)	(89.7)
Loss on disposal of investment properties	(5.6)	–
Impairment loss on goodwill	–	(261.0)
Impairment loss of items of property, plant and equipment	–	(11.7)
Impairment loss on property under development	–	(43.1)
Impairment loss on properties held for sale	(20.5)	–
Impairment loss on investments in associates	(0.5)	(22.9)
Property selling and marketing expenses	(177.0)	(239.9)
Administrative expenses	(438.8)	(395.4)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	1,086.4	606.1
Depreciation and amortisation	(736.3)	(650.0)
OPERATING PROFIT/(LOSS) (Note 4)	350.1	(43.9)
Finance costs (Note 5)	(601.3)	(362.0)
Share of profits and losses of associates	(11.0)	11.6
LOSS BEFORE TAX	(262.2)	(394.3)
Income tax (Note 6)	(114.2)	(201.4)
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(376.4)	(595.7)

Consolidated Statement of Profit or Loss (Cont'd)

	Year ended 31st December, 2022	Year ended 31st December, 2021
	HK\$'M	HK\$'M
Attributable to:		
Equity holders of the parent	(217.7)	(397.5)
Non-controlling interests	(158.7)	(198.2)
	<u>(376.4)</u>	<u>(595.7)</u>
LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	<u>HK(26.67) cents</u>	<u>HK(42.72) cents</u>

Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2022	Year ended 31st December, 2021
	HK\$'M	HK\$'M
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(376.4)	(595.7)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	(152.5)	41.8
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	(143.6)	(561.8)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	(296.1)	(520.0)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(672.5)	(1,115.7)
Attributable to:		
Equity holders of the parent	(425.2)	(813.9)
Non-controlling interests	(247.3)	(301.8)
	(672.5)	(1,115.7)

Consolidated Statement of Financial Position

	31st December, 2022	31st December, 2021
	HK\$'M	HK\$'M
NON-CURRENT ASSETS		
Property, plant and equipment	6,672.9	7,033.4
Investment properties	3,149.0	3,209.2
Right-of-use assets	15,759.8	16,098.8
Properties under development	915.1	869.9
Investments in associates	406.6	455.1
Financial assets designated at fair value through other comprehensive income	443.3	590.5
Financial assets at fair value through profit or loss	768.4	674.3
Loans receivable	185.6	234.3
Debtors, deposits and prepayments	277.8	276.6
Deferred tax assets	47.7	47.7
Trademark	610.2	610.2
Other intangible assets	6.8	3.6
Total non-current assets	<u>29,243.2</u>	<u>30,103.6</u>
CURRENT ASSETS		
Properties under development	2,413.7	4,593.3
Properties held for sale	6,655.6	5,570.0
Inventories	49.4	46.3
Loans receivable	34.4	13.0
Debtors, deposits and prepayments (Note 9)	568.7	826.4
Financial assets at amortised cost	–	15.6
Financial assets at fair value through profit or loss	372.2	282.5
Derivative financial instruments	70.1	26.3
Tax recoverable	7.6	6.6
Restricted cash	176.5	171.7
Pledged time deposits and bank balances	190.6	267.7
Time deposits	1,107.9	1,060.3
Cash and bank balances	897.3	1,533.9
Total current assets	<u>12,544.0</u>	<u>14,413.6</u>

Consolidated Statement of Financial Position (Cont'd)

	31st December, 2022	31st December, 2021
	HK\$'M	HK\$'M
CURRENT LIABILITIES		
Creditors and accruals (Note 10)	(774.2)	(1,045.2)
Contract liabilities	(586.7)	(1,774.9)
Lease liabilities	(11.4)	(11.2)
Deposits received	(178.2)	(179.8)
Interest bearing bank borrowings (Note 11)	(7,929.2)	(3,329.5)
Tax payable	(447.0)	(286.3)
Total current liabilities	<u>(9,926.7)</u>	<u>(6,626.9)</u>
NET CURRENT ASSETS	<u>2,617.3</u>	<u>7,786.7</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>31,860.5</u>	<u>37,890.3</u>
NON-CURRENT LIABILITIES		
Creditors and deposits received	(84.8)	(85.5)
Lease liabilities	(16.0)	(21.9)
Interest bearing bank borrowings	(11,589.9)	(16,764.7)
Other borrowing	(156.0)	–
Deferred tax liabilities	(1,618.1)	(1,723.6)
Total non-current liabilities	<u>(13,464.8)</u>	<u>(18,595.7)</u>
Net assets	<u>18,395.7</u>	<u>19,294.6</u>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	111.4	111.4
Reserves	11,653.7	12,185.1
	<u>11,765.1</u>	<u>12,296.5</u>
Perpetual securities	1,732.9	1,732.9
Non-controlling interests	4,897.7	5,265.2
Total equity	<u>18,395.7</u>	<u>19,294.6</u>

Notes:

1. Basis of Preparation and Accounting Policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss, financial assets designated at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest million except when otherwise indicated.

The Group has adopted the following revised HKFRSs for the first time for the current year’s 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 that are applicable to the Group 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 (the “Conceptual Framework”) 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 business combinations during the year, 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 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 as determined by HKAS 2 *Inventories*, 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 prior to the

property, plant and equipment being available for use, 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 from 1st January, 2022. As there was no modification or exchange of the Group's financial liabilities during the year, 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 REIT;
- (e) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments;
- (f) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental income; and
- (g) the others segment mainly comprises the provision of financing services, sale of food products, operation and management of restaurants, operation of security storage lounge and retail shops, the provision of housekeeping and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

Segment assets exclude deferred tax assets, tax recoverable, restricted cash, pledged time deposits and bank balances, time deposits, cash and bank balances, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest bearing bank borrowings, other borrowing, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2022 and 2021:

	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	
	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M
Segment revenue (Note 3):																		
Sales to external customers	2,186.9	2,989.6	12.5	11.3	1,696.4	902.1	-	-	25.8	25.9	24.1	27.6	58.0	59.1	-	-	4,003.7	4,015.6
Intersegment sales	4.1	5.8	5.7	23.8	4.5	4.4	89.6	86.1	-	-	-	-	165.8	120.1	(269.7)	(240.2)	-	-
Total	<u>2,191.0</u>	<u>2,995.4</u>	<u>18.2</u>	<u>35.1</u>	<u>1,700.9</u>	<u>906.5</u>	<u>89.6</u>	<u>86.1</u>	<u>25.8</u>	<u>25.9</u>	<u>24.1</u>	<u>27.6</u>	<u>223.8</u>	<u>179.2</u>	<u>(269.7)</u>	<u>(240.2)</u>	<u>4,003.7</u>	<u>4,015.6</u>
Segment results before depreciation and amortisation	559.5	739.9	(3.9)	(1.9)	676.4	51.4	(17.9)	(13.5)	(17.1)	(57.7)	18.8	1.4	2.9	9.1	-	-	1,218.7	728.7
Depreciation and amortisation	(14.8)	(14.5)	(0.3)	(0.2)	(705.9)	(613.9)	-	-	-	-	(6.8)	(8.0)	(8.5)	(13.4)	-	-	(736.3)	(650.0)
Segment results	<u>544.7</u>	<u>725.4</u>	<u>(4.2)</u>	<u>(2.1)</u>	<u>(29.5)</u>	<u>(562.5)</u>	<u>(17.9)</u>	<u>(13.5)</u>	<u>(17.1)</u>	<u>(57.7)</u>	<u>12.0</u>	<u>(6.6)</u>	<u>(5.6)</u>	<u>(4.3)</u>	<u>-</u>	<u>-</u>	<u>482.4</u>	<u>78.7</u>
Unallocated interest income and unallocated non-operating and corporate gains																	34.0	34.4
Unallocated non-operating and corporate expenses																	(166.8)	(157.5)
Finance costs (other than interest on lease liabilities)																	(600.8)	(361.5)
Share of profits and losses of associates	0.3	21.1	-	-	(11.3)	(9.5)	-	-	-	-	-	-	-	-	-	-	(11.0)	11.6
Loss before tax																	(262.2)	(394.3)
Income tax																	(114.2)	(201.4)
Loss for the year before allocation between equity holders of the parent and non-controlling interests																	<u>(376.4)</u>	<u>(595.7)</u>
Attributable to:																		
Equity holders of the parent																	(217.7)	(397.5)
Non-controlling interests																	<u>(158.7)</u>	<u>(198.2)</u>
																	<u>(376.4)</u>	<u>(595.7)</u>

	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	
	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M	2022 HK\$'M	2021 HK\$'M
Segment assets	13,937.2	15,486.1	26.1	22.5	22,712.6	23,273.8	33.6	30.0	1,622.3	1,554.7	323.1	330.5	258.5	279.6	(32.4)	(29.3)	38,881.0	40,947.9
Investments in associates	2.2	1.9	-	-	399.3	447.6	-	-	-	-	-	-	5.1	5.6	-	-	406.6	455.1
Cash and unallocated assets																	2,499.6	3,114.2
Total assets																	<u>41,787.2</u>	<u>44,517.2</u>
Segment liabilities	(1,099.8)	(2,469.3)	(29.3)	(32.7)	(426.3)	(524.2)	(1.5)	(1.5)	(3.3)	(0.4)	(65.6)	(66.2)	(22.9)	(21.8)	32.4	29.3	(1,616.3)	(3,086.8)
Interest bearing bank borrowings and unallocated liabilities																	(21,775.2)	(22,135.8)
Total liabilities																	<u>(23,391.5)</u>	<u>(25,222.6)</u>
Other segment information:																		
Capital expenditure	243.9	585.5	0.7	0.3	47.4	509.4	-	-	-	-	-	-	3.9	6.7				
Loss/(Gain) on disposal of investment properties	5.6	(4.0)	-	-	-	-	-	-	-	-	-	-	-	-				
Reversal of impairment of loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.3)				
Impairment loss on goodwill	-	261.0	-	-	-	-	-	-	-	-	-	-	-	-				
Impairment loss of items of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	11.7	-	-				
Impairment loss on property under development	-	43.1	-	-	-	-	-	-	-	-	-	-	-	-				
Impairment loss on properties held for sale	20.5	-	-	-	-	-	-	-	-	-	-	-	-	-				
Impairment loss on investments in associates	-	-	-	-	-	21.7	-	-	-	-	-	-	0.5	1.2				
Impairment of trade debtors	-	0.7	-	-	1.1	2.1	-	-	-	-	-	3.8	-	-				
Fair value losses on financial assets at fair value through profit or loss, net	-	-	-	-	-	-	-	-	48.2	89.7	-	-	-	-				
Fair value losses/(gains) on investment properties, net	36.9	(45.0)	-	-	(8.0)	(10.4)	-	-	-	-	-	-	-	-				
Fair value gain upon reclassification of a property held for sale to an investment property	-	(63.6)	-	-	-	-	-	-	-	-	-	-	-	-				
Interest income	(1.7)	(0.3)	-	-	-	-	-	-	(12.8)	(9.1)	-	-	(7.8)	(9.3)				

Geographical information

(a) Revenue from external customers

	2022	2021
	HK\$'M	HK\$'M
Hong Kong	2,944.8	2,389.5
Mainland China	1,017.0	1,592.0
Other	41.9	34.1
	4,003.7	4,015.6

The revenue information above is based on the locations of the customers, except for the property development and investment segment which is based on the locations of the properties.

(b) Non-current assets

	2022	2021
	HK\$'M	HK\$'M
Hong Kong	26,785.8	27,477.1
Mainland China	204.6	244.6
Other	659.7	692.2
	27,650.1	28,413.9

The non-current assets information above is based on the locations of assets and excludes financial instruments and deferred tax assets.

Information about major customer

No further information about major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer.

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

	2022	2021
	HK\$'M	HK\$'M
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Proceeds from sale of properties	2,137.0	2,941.4
Hotel operations and management services	1,629.3	838.8
Construction and construction-related income	4.2	3.6
Estate management fees	8.3	7.7
Other operations	57.1	58.2
	3,835.9	3,849.7
<i>Revenue from other sources</i>		
Rental income:		
Hotel properties	45.6	52.8
Investment properties	66.5	54.7
Aircraft	24.1	27.6
Others	4.9	4.0
Net gain from sale of financial assets at fair value through profit or loss	4.1	12.1
Net loss on settlement of derivative financial instruments	–	(1.9)
Interest income from financial assets at fair value through profit or loss	12.5	8.7
Dividend income from listed investments	9.2	7.0
Other operations	0.9	0.9
	4,003.7	4,015.6

	2022	2021
	HK\$'M	HK\$'M
<u>Other income and gains, net</u>		
Bank interest income	16.4	17.0
Other interest income	19.1	23.0
Dividend income from unlisted investments	3.3	17.5
Gain on disposal of investment properties	–	4.0
Gain/(Loss) on disposal of unlisted investments included in financial assets at fair value through profit or loss	5.5	(9.8)
Compensation received in relation to refinancing of a bank loan	23.7	–
Others	13.0	7.7
	81.0	59.4

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

	2022	2021
	HK\$'M	HK\$'M
Profit on disposal of properties	865.3	1,246.5
Depreciation of property, plant and equipment	390.9	348.5
Depreciation of right-of-use assets	345.4	300.8
Amortisation of intangible asset	–	0.7
	736.3	650.0

5. Finance costs of the Group are as follows:

	2022	2021
	HK\$'M	HK\$'M
Interest on bank loans	541.6	262.9
Interest on other borrowings	1.7	59.1
Interest expenses arising from revenue contracts	14.3	111.9
Interest on lease liabilities	0.5	0.5
Amortisation of debt establishment costs	53.5	64.1
Total interest expenses on financial liabilities not at fair value through profit or loss	611.6	498.5
Other loan costs	4.9	8.9
	616.5	507.4
Less: Finance costs capitalised	(15.2)	(145.4)
	601.3	362.0

6. The income tax charge for the year arose as follows:

	2022	2021
	HK\$'M	HK\$'M
Current – Hong Kong		
Charge for the year	50.7	33.1
Overprovision in prior years	(0.8)	(0.3)
Current – PRC and overseas		
Charge for the year	88.1	123.9
PRC land appreciation tax	79.8	160.8
Deferred	(103.6)	(116.1)
Total tax charge for the year	114.2	201.4

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 year.

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

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

No provision for tax is required for the associates as no assessable profits were earned by the associates during the year. The share of tax attributable to associates amounting to HK\$4.0 million was included in “Share of profits and losses of associates” in the consolidated statement of profit or loss for the prior year.

7. Dividend:

No dividend was paid or proposed during the year ended 31st December, 2022, nor has any dividend been proposed since the end of the reporting period (2021 – Nil).

8. The calculation of the basic loss per ordinary share for the year ended 31st December, 2022 is based on the loss for the year attributable to equity holders of the parent of HK\$217.7 million (2021 – HK\$397.5 million), adjusted for the share of distribution related to perpetual securities of the Regal group of HK\$79.5 million (2021 – HK\$78.7 million), and on 1,114.6 million (2021 – 1,114.6 million) ordinary shares of the Company in issue during the year.

No adjustment was made to the basic loss per ordinary share for the years ended 31st December, 2022 and 2021 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

9. Included in debtors, deposits and prepayments is an amount of HK\$121.4 million (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:

	2022	2021
	HK\$'M	HK\$'M
Outstanding balances with ages:		
Within 3 months	103.7	31.7
4 to 6 months	3.7	5.9
7 to 12 months	11.5	7.6
Over 1 year	30.4	27.0
	<hr/> 149.3	<hr/> 72.2
Impairment	(27.9)	(26.8)
	<hr/> 121.4 <hr/>	<hr/> 45.4 <hr/>

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

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

Also included in debtors, deposits and prepayments is an amount of HK\$6.9 million (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. Included in creditors and accruals is an amount of HK\$40.5 million (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:

	2022	2021
	HK\$'M	HK\$'M
Outstanding balances with ages:		
Within 3 months	40.2	45.2
4 to 6 months	–	0.1
Over 1 year	0.3	–
	<u>40.5</u>	<u>45.3</u>

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

11. Included in interest bearing bank borrowings under current liabilities were two long term loans of Regal REIT group with an aggregate principal amount of HK\$3,305.0 million (before deduction of the corresponding unamortised debt establishment cost of HK\$39.8 million) which have maturity dates beyond 2023 (“the Relevant Loans”) but classified as current liabilities as at the end of the reporting period. The Relevant Loans related to (1) a loan facility with an outstanding principal amount of HK\$2,900.0 million which was deemed to have been in breach of a loan covenant related to the interest coverage ratio (“ICR”) as at 31st December, 2022 (which has built-in cash cure remedy provision); and (2) a loan facility with an outstanding principal amount of HK\$405.0 million which was in breach of a loan covenant related to ICR as at 31st December, 2022. Subsequent to the reporting period, Regal REIT group has secured from the bank lenders of the Relevant Loans waivers on the ICR breaches and confirmations that the Relevant Loans remain repayable on their original maturity dates in 2027 and 2024, respectively, subject in each case to the topping up of the interest reserve with an additional 3-month interest payment. Despite the waivers and confirmations obtained from the bank lenders, the Relevant Loans of Regal REIT group were classified as current liabilities as at 31st December, 2022, in order to comply with the applicable accounting standards. As of the date of approval of these financial statements, having obtained the waivers from the bank lenders, there are no

longer any deemed breach or breach of the ICR related loan covenants under the Relevant Loans as at 31st December, 2022.

In addition, also included in interest bearing bank borrowings under current liabilities is an amount of HK\$1,707.9 million (2021 – HK\$1,514.3 million) which represents the outstanding balance of revolving loan facilities with remaining tenors of over 12 months.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31st December, 2022.

SCOPE OF WORK OF INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2022 as set out in this preliminary results announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditors on this preliminary results announcement.

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's draft consolidated financial statements for the year ended 31st December, 2022, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31st December, 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.

BOARD OF DIRECTORS

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

Executive Directors:

Mr. LO Yuk Sui

(Chairman and Chief Executive Officer)

Mr. Jimmy LO Chun To

(Vice Chairman and Managing Director)

Miss LO Po Man

Mr. Kenneth NG Kwai Kai

Mr. Kenneth WONG Po Man

Independent Non-Executive Directors:

Mr. Bowen Joseph LEUNG Po Wing, GBS, JP

Ms. Winnie NG, JP

Mr. Abraham SHEK Lai Him, GBS, JP

Mr. WONG Chi Keung

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 27th March, 2023