



百利保控股有限公司

Paliburg
Holdings Limited

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

2023
INTERIM
REPORT



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Jimmy Lo Chun To

(Vice Chairman and Managing Director)

Kelvin Leung So Po

Lo Po Man

Kenneth Ng Kwai Kai

Kenneth Wong Po Man

Independent Non-Executive Directors

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Winnie Ng, JP

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited

The Bank of East Asia, Limited

China Citic Bank International Limited

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

Chiyu Banking Corporation Limited

Chong Hing Bank Limited

Hang Seng Bank Limited

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

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DIRECTORS' PROFILE

Mr. Lo Yuk Sui, aged 78; *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 49; *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. Leung Po Wing, Bowen Joseph, GBS, JP, aged 73; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung is also an independent non-executive director of RPML. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing (“Beijing Office”) in November 2005. He joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is an independent non-executive director and a member of the audit committee of Quali-Smart Holdings Limited, which is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS' PROFILE (Cont'd)

Mr. Leung So Po (Alias: Kelvin), aged 51; Executive Director — Appointed to the Board on 1st September, 2023. Mr. Kelvin Leung is also an executive director of each of CCIHL and RHIHL, and an executive director and the chief financial officer of Cosmopolitan. He has been with the Century City Group since 1997 and is involved in the corporate finance function as well as in the China business division of the Century City Group. Mr. Leung holds a Bachelor's Degree in Business Administration and a Master of Laws Degree in Chinese Business Law both from The Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants. He has over 28 years of experience in accounting and corporate finance field.

Miss Lo Po Man, aged 43; 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 68; 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 59; Independent Non-Executive Director — Invited to the Board as Independent Non-Executive Director in 2018. Ms. Ng is also an independent non-executive director of CCIHL and RHIHL. Ms. Ng holds an MBA (Master of Business Administration) from University of Chicago and an MPA (Master of Public Administration) from Harvard University. Ms. Ng has received numerous awards and recognition. In 2019, she received the Outstanding Businesswomen Award and in 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award and China Top Ten Outstanding Women Entrepreneurs. In previous years, she received recognitions as a Woman of Excellence in Hong Kong, one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, Yazhou Zhoukan Young Chinese Entrepreneur Award and was Mason Fellow of Harvard University. Active in public service, Ms. Ng is Director of Po Leung Kuk, Member of Women's Commission, Member of Town Planning Board, Director of CUHK Medical Centre, Director of HKBU Chinese Medicine Hospital, Council Member of The Education University of Hong Kong, Advisor of Our Hong Kong Foundation, and Council Member of The Better Hong Kong Foundation. She was Chairman of Hospital Governing Committee of Prince of Wales Hospital from 2014 to 2020, Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, Member of Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016, Member of Employees Retraining Board and its Course Vetting Committee Convenor, and Member of Vocational Training Council from 2011 to 2017. Ms. Ng is also a non-executive director of Transport International Holdings Limited, and she was the founder, deputy chairman and a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited). Both companies are listed on the Stock Exchange.

Mr. Shek Lai Him, Abraham (Alias: Abraham Razack), GBS, JP, aged 78; Independent Non-Executive Director — Invited to the Board as Independent Non-Executive Director in 2002. Mr. Abraham Shek is also an independent non-executive director of Cosmopolitan and RPML. Mr. Shek holds a Bachelor's Degree of Arts and a Juris Doctor Degree. Mr. Shek is an honorary member of the Court of The Hong Kong University of Science and Technology, a member of both of the Court and the Council of The University of Hong Kong and a member of the Court of City 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 (In Liquidation), 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, Shin Hwa World Limited and NWS Holdings Limited, and an independent non-executive director of Alliance International Education Leasing Holdings Limited and Lai Fung Holdings Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

Mr. Wong Chi Keung, aged 68; Independent Non-Executive Director — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and RHIHL. Mr. Wong holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Chartered Governance Institute and The Chartered Institute of Management Accountants. Mr. Wong is a responsible officer for asset management and advising on securities under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as Yuexiu Property Company Limited), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard Hotel Group Limited, Asia Standard International Group Limited, Changyou Alliance Group Limited, China Ting Group Holdings Limited, 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 40 years of experience in finance, accounting and management.

Mr. Wong Po Man (Alias: Kenneth), aged 57; 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 30 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am presenting herewith the Interim Report of the Company for the six months ended 30th June, 2023.

FINANCIAL RESULTS

For the six months ended 30th June, 2023, the Group recorded a consolidated loss attributable to shareholders of HK\$383.1 million, while for the comparable six months in 2022, an attributable profit of HK\$230.9 million was attained.

As explained in the profit warning announcement published by the Company on 18th August, 2023, although the Group has operated profitably in its two principal business segments comprising property and hotel businesses, the results contributed by those two segments in the period under review were relatively lower than those in the corresponding period last year. Moreover, due to the substantial increase in the Group's financial costs on account of the rapid hike in the interest rates in Hong Kong during the recent months as well as the significant amount of depreciation charges required to be provided on the Group's hotel properties to conform to accounting standards, the Group has recorded a loss attributable to shareholders for the half year under review.

For the six months ended 30th June, 2023, the gross profit of the Group amounted to HK\$641.8 million (2022 – HK\$1,344.7 million) and its operating profit before depreciation, finance costs and tax amounted to HK\$284.6 million (2022 – HK\$1,009.0 million).

Furthermore, 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\$344.7 million were provided on the Group's hotel properties in Hong Kong (2022 – HK\$345.4 million) which, although not affecting the Group's cash flow, have nevertheless adversely impacted on the Group's results.

As supplementary information on the results of the Group based on its core business operations, on the basis that the fair value changes related to investment properties and financial assets and the depreciation charges, all being non-cash items, are excluded, the Group would have stated a net loss attributable to equity holders of the parent of HK\$122.4 million for the period under review.

Further supplementary information showing the adjusted net asset value of the Company of HK\$15.06 per share as at 30th June, 2023, 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, 2023, 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 issued units of Regal Real Estate Investment Trust, the listed subsidiary of Regal that presently owns five Regal Hotels and four iclub Hotels in Hong Kong. Regal Portfolio Management Limited, a wholly owned subsidiary of Regal, acts as the REIT Manager of Regal REIT.

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

Apart from its property business, P&R holds an effective controlling shareholding interest in Cosmopolitan International Holdings Limited, which is primarily engaged in property business in China and other investments. As at 30th June, 2023, P&R held 49.3% of the issued ordinary shares of Cosmopolitan and, in addition, holdings in its convertible bonds and convertible preference shares which are convertible into additional ordinary shares of Cosmopolitan. Moreover, the Company and Regal, through their respective wholly owned subsidiaries, also hold shares in Cosmopolitan.

On 30th June, 2023, a wholly owned subsidiary of P&R (the "AMTD Shares Vendor") entered into a conditional agreement with an independent third party (the "AMTD Shares Purchaser") for the sale of 9,500,000 Class A ordinary shares of AMTD IDEA Group, the American depositary shares of which are listed on the New York Stock Exchange, at an agreed price of US\$8.45 per AMTD share, same as the original cost of such AMTD shares of the AMTD Shares Vendor in 2020.

On that same date, another wholly owned subsidiary of P&R (the "Cosmopolitan Shares Purchaser") entered into, among others, another conditional agreement with an indirect non-wholly owned subsidiary of the AMTD Shares Purchaser (the "Cosmopolitan Shares Vendor") for the purchase of 368,320,000 ordinary shares in Cosmopolitan, representing approximately 5.76% of the total existing issued ordinary shares of Cosmopolitan, at an agreed price of HK\$1.70 per Cosmopolitan share. This agreed price is also the same as the original acquisition cost of such Cosmopolitan shares of the Cosmopolitan Shares Vendor in 2020.

The objectives of these two agreements are for P&R to unwind the original share swap relating to those AMTD shares and Cosmopolitan shares made in 2020. Completion of the two agreements is subject to the satisfaction of the prescribed conditions precedents and is to take place concurrently. The consideration passing under the two agreements will be satisfied through the exchange among the relevant parties of the requisite AMTD shares and Cosmopolitan shares on contemporaneous completion of the two agreements.

Under the existing shareholding structure of Cosmopolitan, following the completion of the acquisition of the Cosmopolitan shares by the Cosmopolitan Shares Purchaser, the holdings of shares in Cosmopolitan by public shareholders would fall below the minimum 25% threshold prescribed under the Listing Rules. In order to maintain at least 25% of the total issued shares of Cosmopolitan in the hands of the public, Cosmopolitan has accordingly proposed a share consolidation as well as a bonus issue of shares, with an option to its shareholders to elect to receive bonus convertible notes in lieu of the bonus shares.

CHAIRMAN'S STATEMENT (Cont'd)

Detailed information on these transactions is contained in the joint announcement of the Company dated 11th July, 2023. A circular containing further information on these transactions is also expected to be despatched to shareholders of the Company shortly.

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

Following the reopening of the borders with the Mainland and benefiting from the release of the pent up demand, the property market in Hong Kong had experienced an apparent rebound during the first quarter of this year. However, due to the slower-than-expected rate of economic recovery in China and Hong Kong, the continuingly intense geopolitical tensions and, most importantly, the rapid hike in the mortgage interest rates, the rebound momentum soon subdued.

Although the aggregate number of transactions and the aggregate transacted price on the sale and purchase of private residential units in Hong Kong during the first six months of 2023 recorded an increase of about 31% and 43% over the preceding half year and an increase of about 5% and 2% year-on-year, respectively, they are only attributable to the relatively low base figures in the two comparative periods.

The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R. This development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. Up to date, a total of 20 garden houses and 53 apartment units have been sold or contracted to be sold, including the 3 garden houses and 1 apartment unit that were contracted to be sold during the first quarter of this year. In addition, a garden house has been leased out during the period with an option granted to the lessee for the purchase of the property. The remaining houses and apartment units will continue to be sold on a gradual basis.

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.

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

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 Cheung Sha Wan. In addition, P&R also owns some remaining shop units and car parks in the Ascent in Sham Shui Po and certain retained houses in Casa Regalia in Yuen Long, both of which are property developments completed by P&R in earlier years, which will continue to be disposed of.

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

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2023, Regal recorded a consolidated loss attributable to shareholders of HK\$762.6 million, while for the comparable six months in 2022, an attributable profit of HK\$138.3 million was attained.

The loss recorded by Regal for the period under review was mainly attributable to the substantial increase in the finance costs due to the rapid hike in the interest rates in Hong Kong, the fair value losses incurred on its financial assets as well as the depreciation charges on its hotel properties.

Although the business operations of the hotels of the Regal group in Hong Kong have been steadily improving after the full reopening of the borders with Mainland China and the lifting of all anti-pandemic measures early this year, the overall revenues generated from its hotel operations for the six months ended 30th June, 2023 were still much lower than the level attained in the comparative period in 2022, primarily due to the different revenue structure when six of its hotels were then operating as quarantine hotels or facilities under the quarantine schemes of the Hong Kong Government. This has also attributed to the relatively unsatisfactory results recorded by Regal for the half year under review, as compared to those in the preceding interim period.

As supplementary information on the results of the Regal group based on its core business operations, on the basis that the fair value changes related to investment properties and financial assets and the depreciation charges, all being non-cash items, are excluded, the Regal group would have stated a net loss attributable to equity holders of the parent of HK\$234.4 million for the period under review.

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

Based on a recent research report by the World Bank Group, the world economy remains in a precarious state amid the protracted effects of the overlapping negative shocks of the pandemic, the war in Ukraine and the sharp tightening of monetary policy in many major economies to rein in high inflation. While inflation pressures persist, the continued monetary policy tightening is expected to weigh heavily on economic activities. After growing 3.1% last year, the global economy is projected to slow to 2.1% in 2023.

Spurred by the earlier-than-expected return to normalcy, economic activities in China bounced back in early 2023. Based on the preliminary estimates, the Gross Domestic Product (GDP) of China in the first half of 2023 was up by 5.5% year-on-year, reflecting the solid fundamentals and resilience of China's economy.

Hong Kong's economy had a mild recovery in the first half of 2023, mainly driven by a revival in local consumption and a rebound in the number of visitors from Mainland China. Hong Kong's GDP increased by 2.9% in real terms in the first quarter of 2023 year-on-year, but the growth rate has slowed down to 1.5% in the second quarter. Overall for the first six months of 2023, the pace of economic recovery in Hong Kong was slower than what was anticipated earlier.

CHAIRMAN'S STATEMENT (Cont'd)

Although the number of incoming visitors to Hong Kong has rebounded strongly since the start of 2023, it has yet to resume to its pre-pandemic level. Total visitors to Hong Kong in the first half of 2023 amounted to 12.9 million, of which 10.1 million were visitors from Mainland China, representing in both cases a year-on-year increase of over 160 times. However, these significant increases in multiple terms merely reflected the very low base figures in the comparative period in 2022 due to the pandemic restrictions. As a matter of fact, the total number of incoming visitors to Hong Kong during this interim period only represents about 37.0% of its peak level recorded in the first half of 2019.

According to the information published by the Hong Kong Tourism Board (HKTB), the average hotel room occupancy for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June was up from 63.0% in 2022 to 80.0% in 2023, while the average achieved room rate improved by 25.3%, resulting in an increment in the average Revenue per Available Room (RevPAR) of 59.1% year-on-year.

HOTEL OWNERSHIP

The Regala Skycity Hotel, the Regal group's second hotel at the Hong Kong International Airport, has resumed normal hotel operations since the fourth quarter of 2022, after having been operated as a quarantine hotel for most of 2022. As the number of airline flights as well as the overall business activities in the airport community are still to recover to their normal levels, the business of this hotel for the period was below earlier expectations.

The Regala Skycity Hotel has over 1,200 well decorated hotel rooms and suites, complemented with a full range of food and beverage and conference facilities catering to Meetings, Incentives, Conference and Exhibitions (MICE) businesses. Having regard to its strategic location and its direct linkage with the Asia World Expo and the SKYCITY complex, as well as the second airport terminal, when it is completed and becomes operational, the Regal group is confident that this hotel will be able to deliver strong recurring revenues when the airport and MICE businesses revive.

The Regal group also owns a 186-room hotel in Barcelona, Spain which has been leased to a third party for investment income.

REGAL REAL ESTATE INVESTMENT TRUST

As at 30th June, 2023, the Regal group continued to hold approximately 74.9% of the total 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, 2023, Regal REIT recorded a consolidated profit before distribution to Unitholders of HK\$105.2 million, as compared to a profit of HK\$613.1 million for the corresponding period in 2022. Excluding the fair value changes, Regal REIT recorded a core operating loss of HK\$14.8 million for the period, which was mainly due to the substantial increase in the financial expenses incurred, as the Hong Kong Interbank Offered Rates (HIBOR), on which the borrowing costs of Regal REIT's bank loans are based, have risen rapidly since the second quarter of this year.

Apart from the 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 the 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 aggregate base rents payable by the Regal group's lessee to Regal REIT for 2023, based on the market rental reviews determined annually by the jointly appointed independent professional valuer pursuant to the terms of the respective leases, are HK\$480.0 million for the five Regal Hotels and HK\$92.0 million for the three iclub Hotels, respectively.

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and has been self-operated by Regal REIT since 2011. The net property income from this property, including the lease rentals from the non-hotel portions, for the interim period has improved substantially as compared to the corresponding period in 2022.

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.

Like the Regala Skycity Hotel, these eight hotels have all resumed normal hotel operations during the period. As mentioned before, three of the Regal Hotels, namely, the Regal Airport Hotel, the Regal Kowloon Hotel and the Regal Oriental Hotel were operating as quarantine hotels under the government quarantine scheme during the first six months of 2022 and, hence, their operating results for the two comparative periods are not directly comparable. With respect to the other two Regal Hotels, namely, the Regal Hongkong Hotel and the Regal Riverside Hotel, they both achieved satisfactory improvements in their operating performance year-on-year, with their average RevPAR having increased at a level above the industry average. However, due to the different revenue structure when the three Regal Hotels were operating as quarantine hotels in 2022, the aggregate net operating income of the five Regal Hotels as a whole for the interim period was below the level attained in the corresponding period last year.

The other three iclub hotels, namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel are also under lease to the Regal group for operations. Like the three Regal Hotels, two of these iclub Hotels, namely, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel were also operating as quarantine hotels during the first half of 2022. Likewise, albeit these two iclub Hotels have operated satisfactorily during the interim period, their operating results were lower than those attained in the comparative period in 2022. As for the iclub Sheung Wan Hotel, it also managed to achieve improvement in its RevPAR year-on-year that exceeds the industry average.

HOTEL MANAGEMENT

Apart from being the hotel manager of the Regala Skycity Hotel, Regal Hotels International Limited (RHI), the wholly owned hotel management arm of the Regal group, is managing the five Regal Hotels and four iclub Hotels that are owned by Regal REIT. RHI is also the hotel manager managing the iclub Mong Kok Hotel and the iclub AMTD Sheung Wan Hotel that are 100% and 50%, respectively, owned by P&R.

In Mainland China, the Regal group is presently managing a total of four Regal Hotels, including two in Shanghai, one in Dezhou and one in Xian. A 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, the Regal group itself owns a portfolio of investment and development properties.

The Queens at Queen's Road West, Hong Kong is a commercial/residential building completed in late 2022, which has a total of 130 residential units with club house facilities and commercial accommodations. Due to the changed market environment and the rising demand for serviced apartments or co-living accommodations in the area, the Regal group is in the course of converting some of the residential units for rental purposes. While this can generate recurring income for the development, the leased units can be disposed of with the benefits of the leases on individual or en bloc basis.

CHAIRMAN'S STATEMENT (Cont'd)

In the meanwhile, the Regal group is also undertaking a commercial/residential redevelopment project at Hai Tan Street in Sham Shui Po, Hong Kong. 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.

In overseas, the Regal group owns a renovation-for-sale property project in Lisbon, Portugal and a historical building located at a prime location in London pending finalisation of development plans.

AIRCRAFT OWNERSHIP AND LEASING

At present, the Regal group owns two Airbus passenger aircraft on operating leases with a major international airline operator in Europe, which are running on normal terms. One other Airbus aircraft, which was previously leased to a European airline operator, was repossessed by the Regal group in November 2021 due to the default of the lessee. The engines of this aircraft have now been leased to a major engines manufacturer in Europe and, in the meanwhile, ongoing negotiations are in progress for the sale of the airframe.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2023, Cosmopolitan recorded a consolidated loss attributable to shareholders of HK\$98.3 million, as compared to a profit of HK\$87.8 million attained in the corresponding period in 2022.

The loss incurred by Cosmopolitan was mainly due to the low level of profits recognised in the period under review from the sale of properties in the two development projects of the Cosmopolitan group in Tianjin and Chengdu. While for the comparative half year in 2022, substantial profits were derived from the sale of the remaining residential units in the third stage of its development project in Chengdu.

BUSINESS OVERVIEW

Benefiting from the easing policies and measures introduced by the central government in China since the end of 2022 to support its real estate industry and the release of the pent-up demands that were accumulated during the pandemic times, the property market in China experienced a mild rebound in the first quarter of 2023. However, the rebound momentum was not able to sustain into the second quarter, mainly due to the weakness in export trade, domestic consumption and investment confidence. Overall, for the first half of 2023 as a whole, the performance of the real estate market in Mainland China remained relatively stagnant, particularly in the office and commercial sectors.

Most of the residential units in the entire Regal Cosmopolitan City development in Chengdu have already been sold and the remaining shops and car parks in stage 3 of the development, which was completed in the second quarter of 2022, will continue to be disposed of. The other components within this development mainly comprise a commercial complex (including a six-storey shopping mall podium), five towers of office accommodation and a hotel building, the development works for which are proceeding steadily. The presale of some of the office and shop units in one of the office towers has commenced in 2021 and 2022, respectively, but the sale progress was slow due to the sluggish market conditions. Up to date, only about 192 office and 5 shop units have been presold under contracts or subscribed by prospective purchasers.

The Cosmopolitan group's other composite development in China is the Regal Renaissance in Tianjin. Apart from the residential units in the development that have been sold, the remaining components in this development mainly comprise two office towers and a four-storey commercial podium which have been completed in 2022. In view of the prevailing market environment, launching of a new sale programme will be deferred to a later appropriate time.

OUTLOOK

REGAL GROUP

The Hong Kong Government is continuing to support the economy through different measures, including the distribution of consumption vouchers to boost domestic consumption. After the reopening of the borders, the Hong Kong Government is looking to deepen Hong Kong's linkages with Mainland China and to leverage its position as a key gateway between onshore and offshore investors. The Hong Kong Government has recently revised its forecast on the annual economic growth rate of Hong Kong for 2023 from 3.5% – 5.5% to 4.0% – 5.0%. Whether an economic growth at the higher end can be achieved will invariably depend on the external economic conditions. Business environment for Hong Kong for the second half of 2023 will remain very challenging.

In late July 2023, the United States Federal Reserve again raised the interest rate by 25 basis points, which was the 11th rate hike since 2022, marking the highest level of United States central bank's benchmark interest rate in the past 22 years. It is expected that due to the currency peg, the interest rates in Hong Kong might continue to stay at a relatively high level in the near term, which could have an adverse impact on the distributable income of Regal REIT.

On a brighter side, the Hong Kong Government will continue to launch different initiatives to boost the tourism industry as well as the economy of Hong Kong as a whole. Vast business opportunities exist for Hong Kong as it further integrates with the Mainland, particularly when China's economic growth accelerates. The HKTB has recently projected that the total number of incoming visitors to Hong Kong for 2023 as a whole will increase to 30 million. Though there is still a long way to catch up with the aggregate visitor arrivals of over 65 million recorded in year 2018, it is in any event a positive drive for the hotel industry in Hong Kong.

The REIT Manager will continue to work closely with the hotel manager in developing strategies to cope with the market challenges and it is expected that the property portfolio of Regal REIT will continue to yield steadily increasing rental revenues.

The operating performance of the Regal group's hotel operations in July and August to-date has been encouraging, with progressive improvements being achieved both in the hotels' average occupancy levels as well as average room rates.

The Regal group is optimistic in the recovering prospects of the tourist and hotel markets in Hong Kong and that its hotel operations will continue to contribute a steady inflow of substantial revenues.

COSMOPOLITAN GROUP

The policies introduced by government authorities in earlier years to restrict purchases of commodity properties in many Mainland cities have been gradually released. However, due to the concerns over the possible slowdown in the economic growth in China, many home purchasers and investors are taking a wait-and-see attitude, which have suppressed the demands for different types of properties. At present, many real estate developers in China are still encountering severe liquidity strain on account of the slackened sales revenues and the difficulty to access new financings or re-financings. The central government of China has recently reasserted the importance of the real estate industry as one of its economic pillars. It is believed that the central government of China will continue to implement supportive policies to ease market liquidity and to restore market confidence, with an aim to reinstating a steady and healthily growing real estate industry.

CHAIRMAN'S STATEMENT (Cont'd)

The Cosmopolitan group remains optimistic of the prospects of the real estate market in China in the long term and anticipates that the remaining components in the Cosmopolitan group's two development projects in Chengdu and Tianjin will be able to generate substantial revenues when the market conditions revive.

PALIBURG GROUP

The Group owns a solid portfolio of quality assets that are well diversified both in business scope as well as geographical coverage. Although the economic environment in Hong Kong and overseas in the short term will be challenging, the Group is confident that it will be able to overcome these challenges and to regain growth in pace with the anticipated recovery in the overall economy.

LO YUK SUI

Chairman

Hong Kong
25th August, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

P&R HOLDINGS LIMITED

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

Further information relating to the property development projects 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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

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

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 car parks have already been sold. The remaining 2 shops and 5 car parks 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 car parking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The occupation permit was issued in September 2018 and the certificate of compliance in February 2019.

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

Up to 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\$4,299.3 million), including the 3 garden houses and 1 apartment unit that were contracted to be sold during the period under review, of which the sale transactions for 17 houses and 47 apartment units (total sale price of HK\$3,677.6 million) have been completed. Sale transactions that were completed during the period included 2 houses and 8 apartment units (total sale price of HK\$597.9 million) and the profits derived therefrom already accounted for in the results under review. In addition, a garden house has been leased out during the period with an option granted to the lessee for the purchase of the property. The lease was regarded as a finance lease and the relevant revenues have also been recognised in the results under review. The remaining 3 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 commenced business in March 2019. The hotel is presently self-operated by P&R and managed by the RHIHL group.

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

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

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

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

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

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

The properties presently comprise interests in over 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 (5,256 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

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 this new hotel project at the Hong Kong International Airport.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

The hotel project has a site area of approximately 6,650 square metres (71,580 square feet) and permissible gross floor area of 33,700 square metres (362,750 square feet) and is situated at a site surrounded by Terminal 2 of the Hong Kong International Airport, the Asia World-Expo and 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 has also received a number of international design awards including the Muse Design Gold Award, Build4Asia Silver Award, A'Design Silver Award and International Property Award. The hotel licence was issued in November 2021 and its grand opening 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 launched in April 2021. Due to the changed market environment and the rising demand for serviced apartments or co-living accommodations in the area, some of the residential units are being converted for rental purposes.

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

Through the judicial proceedings for the Land Compulsory Sale, the RHIHL group has consolidated 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 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 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 RHIHL group in 2014. The hotel was initially operated by the RHIHL group and is presently under lease to an independent third party.

41 Kingsway, London WC2B 6TP, the United Kingdom

This is a freehold historical building located at a prime location in London, acquired by the RHIHL group in 2019. 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 for a historical building located in a heritage conservation area of Lisbon, acquired in 2019 by an entity that is now wholly owned by the RHIHL group. This building has a total gross floor area of about 1,836 square metres (19,768 square feet), comprising residential apartments as well as shops on ground floor. The renovation works have been substantially completed and the applications for relevant usage permits for the building are under process. 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 the Group held through P&R. Further information relating to the property projects of the Cosmopolitan group in the PRC, all of which are wholly owned, is set out below:

Property Development

Chengdu Project – Regal Cosmopolitan City

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

The development works of third stage were already completed. Nearly all of the residential units in the third stage have now already been sold. Total proceeds from the sales of the residential units amounted to approximately RMB2,047.0 million (HK\$2,203.6 million).

The sale of the shops with about 4,110 square metres (44,250 square feet) comprised in the third stage is in progress. Up to date, a total of 3,965 square meters (42,679 square feet) of shops have been sold or contracted to be sold, for aggregate sale considerations of approximately RMB91.9 million (HK\$98.9 million). The sale of the 1,389 car parking spaces is continuing and, up to date, 465 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB50.6 million (HK\$54.5 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 preceding financial year.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

The interior construction works of the 325-room hotel for the procurement of the Completion Certificate are in progress and expected to be completed before the end 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 proceeding steadily. All the office towers, the commercial facilities as well as the six-storey shopping mall podium have been topped-off. The market repositioning works of the shopping mall and certain of the office towers are also in progress.

The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 20,000 square metres (215,200 square feet), commenced in 2021. Up to date, 192 office units with a total of about 8,300 square meters (89,341 square feet) have been presold under contracts or subscribed by prospective purchasers, for an aggregate sale consideration of RMB72.0 million (HK\$77.5 million).

The presale of the shops of about 2,650 square metres (28,550 square feet) comprised in the commercial portion of the office tower on sale has also commenced in 2022. Up to date, a total of 5 shop units of about 274 square metres (2,949 square feet) have been presold under contracts, for aggregate sale considerations of approximately RMB8.1 million (HK\$8.7 million).

The sale programme for the units in the remaining four office towers will be launched 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 two office towers and the four-storey commercial podium have been completed and the Completion Certificates obtained in March 2022. The market repositioning works for the commercial podium are in progress. In view of the prevailing market environment, launching of a new sale programme for the commercial and office units will be deferred to a later appropriate time.

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 and iclub Mong Kok Hotel, all completed in the years between 2014 and 2019. Chatwin was also responsible for the construction management of the Mount Regalia project and the Regala Skycity Hotel project completed in 2019 and 2021 respectively. Chatwin will continue to seek public construction contracts while providing in-house services to the Group's construction projects including construction management, health and safety as well as quality assurance and compliance.

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

FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, private equities, bonds as well as treasury and yield enhancement products. Due to the volatility in the global capital market, the Group's performance in this business segment has been adversely affected and recorded a net loss in its financial assets investments business during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

FINANCIAL REVIEW

ASSETS VALUE

All the hotel properties of the Group in Hong Kong owned by Regal REIT, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel, were stated in the financial statements at their fair values as at 7th May, 2012 when RHIHL, together with Regal REIT, became subsidiaries of the Group, plus subsequent capital additions and deducting accumulated depreciation. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel were stated in the Group's financial statements at cost after full elimination of the unrealised gain arising from the disposal of the hotels by P&R to Regal REIT, while the iclub Mong Kok Hotel owned by P&R and the Regala Skycity Hotel owned by the RHIHL group, completed in 2019 and 2021 respectively, are stated at cost, and they are all also subject to depreciation. For the purpose of providing supplementary information, if the entire hotel property portfolio of the Group in Hong Kong is restated in the condensed consolidated financial statements at market value as at 30th June, 2023, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$15.06 per share, computed as follows:

	As at 30th June, 2023	
	HK\$'million	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	11,201.2	10.05
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>5,588.3</u>	<u>5.01</u>
Unaudited adjusted net assets attributable to equity holders of the parent	<u><u>16,789.5</u></u>	<u><u>15.06</u></u>

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

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

The Group's banking facilities are mostly denominated in Hong Kong dollars with interest primarily determined by reference to the interbank offered rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As regards the Group's investments in the PRC and overseas, which are denominated in currencies other than US dollars and Hong Kong dollars, the Group may consider, when deemed appropriate, hedging part or all of the investment amounts into US dollars or Hong Kong dollars to contain the Group's exposure to currency fluctuations.

Cash Flows

Net cash flows generated from operating activities during the period under review amounted to HK\$368.1 million (2022 - HK\$357.8 million). Net interest payment for the period amounted to HK\$471.1 million (2022 - HK\$157.0 million).

Borrowings and Gearing

As at 30th June, 2023, the Group had cash and bank balances and deposits of HK\$2,274.3 million (31st December, 2022 - HK\$2,372.3 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$17,552.6 million (31st December, 2022 - HK\$17,302.8 million).

As at 30th June, 2023, the gearing ratio of the Group was 43.0% (31st December, 2022 - 41.4%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK\$17,552.6 million (31st December, 2022 - HK\$17,302.8 million), as compared to the total assets of the Group of HK\$40,826.3 million (31st December, 2022 - HK\$41,787.2 million).

On the basis of the adjusted total assets as at 30th June, 2023 of HK\$50,807.9 million (31st December, 2022 - HK\$51,120.5 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 34.5% (31st December, 2022 - 33.8%).

Details of the maturity profile of the borrowings of the Group as of 30th June, 2023 are shown in notes 11 and 12 to the condensed consolidated financial statements.

Lease Liabilities

As at 30th June, 2023, the Group had lease liabilities of HK\$25.8 million (31st December, 2022 - HK\$27.4 million).

Pledge of Assets

As at 30th June, 2023, 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\$30,714.7 million (31st December, 2022 - HK\$30,936.1 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, 2023, certain ordinary shares in a listed subsidiary with a market value of HK\$281.5 million (31st December, 2022 - HK\$275.4 million) were also pledged to secure general banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2023 are shown in note 17 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2023 are shown in note 16 to the condensed consolidated financial statements.

Share Capital

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

DIVIDEND

The Directors have resolved not to declare an interim dividend for the financial year ending 31st December, 2023 (2022 - Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

STAFF AND REMUNERATION POLICY

The Group employs approximately 1,710 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, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2, 3	1,602.0	2,917.9
Cost of sales		<u>(960.2)</u>	<u>(1,573.2)</u>
Gross profit		641.8	1,344.7
Other income and gains	3	39.0	51.4
Fair value gains/(losses) on investment properties, net		(15.1)	1.5
Fair value losses on financial assets at fair value through profit or loss, net		(47.9)	(45.4)
Loss on disposal of investment properties		(1.0)	(5.6)
Impairment loss on properties under development		(18.3)	–
Impairment loss on properties held for sale		(13.2)	–
Reversal of impairment loss/(Impairment loss) on investment in associates		0.2	(0.2)
Property selling and marketing expenses		(97.1)	(124.8)
Administrative expenses		<u>(203.8)</u>	<u>(212.6)</u>
OPERATING PROFIT BEFORE DEPRECIATION		284.6	1,009.0
Depreciation	4	<u>(363.9)</u>	<u>(365.0)</u>
OPERATING PROFIT/(LOSS)		(79.3)	644.0
Finance costs	5	(523.0)	(193.0)
Share of profits and losses of associates		<u>(7.8)</u>	<u>(3.6)</u>
PROFIT/(LOSS) BEFORE TAX	4	(610.1)	447.4
Income tax	6	<u>(36.4)</u>	<u>(142.0)</u>
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		<u>(646.5)</u>	<u>305.4</u>
Attributable to:			
Equity holders of the parent		(383.1)	230.9
Non-controlling interests		<u>(263.4)</u>	<u>74.5</u>
		<u>(646.5)</u>	<u>305.4</u>
EARNINGS/(LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>HK(37.94) cents</u>	<u>HK17.15 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$'million	HK\$'million
PROFIT/(LOSS) FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(646.5)	305.4
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(65.1)	(104.9)
Share of other comprehensive loss of an associate	(0.1)	–
	<u>(65.2)</u>	<u>(104.9)</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	(106.0)	(332.2)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	<u>(171.2)</u>	<u>(437.1)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(817.7)</u>	<u>(131.7)</u>
Attributable to:		
Equity holders of the parent	(516.3)	(105.9)
Non-controlling interests	<u>(301.4)</u>	<u>(25.8)</u>
	<u>(817.7)</u>	<u>(131.7)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
	Note	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		6,527.1	6,672.9
Investment properties		3,122.0	3,149.0
Right-of-use assets		15,592.4	15,759.8
Properties under development		898.2	915.1
Investments in associates		398.9	406.6
Financial assets designated at fair value through other comprehensive income		335.3	443.3
Financial assets at fair value through profit or loss		745.5	768.4
Loans receivable		191.7	185.6
Finance lease receivable		99.3	–
Debtors, deposits and prepayments		274.9	277.8
Deferred tax assets		47.7	47.7
Trademark		610.2	610.2
Other intangible assets		6.8	6.8
Total non-current assets		<u>28,850.0</u>	<u>29,243.2</u>
CURRENT ASSETS			
Properties under development		2,461.7	2,413.7
Properties held for sale		6,200.4	6,655.6
Inventories		52.2	49.4
Loans receivable		35.1	34.4
Finance lease receivable		5.3	–
Debtors, deposits and prepayments	9	466.9	568.7
Financial assets at amortised cost		20.0	–
Financial assets at fair value through profit or loss		360.3	372.2
Derivative financial instruments		92.5	70.1
Tax recoverable		7.6	7.6
Restricted cash		407.5	176.5
Pledged time deposits and bank balances		205.2	190.6
Time deposits		698.3	1,107.9
Cash and bank balances		963.3	897.3
Total current assets		<u>11,976.3</u>	<u>12,544.0</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
	Notes	HK\$'million	HK\$'million
CURRENT LIABILITIES			
Creditors and accruals	10	(683.4)	(774.2)
Contract liabilities		(521.9)	(586.7)
Lease liabilities		(12.4)	(11.4)
Deposits received		(178.5)	(178.2)
Interest bearing bank borrowings	11	(5,906.4)	(7,929.2)
Tax payable		(403.5)	(447.0)
Total current liabilities		<u>(7,706.1)</u>	<u>(9,926.7)</u>
NET CURRENT ASSETS		<u>4,270.2</u>	<u>2,617.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>33,120.2</u>	<u>31,860.5</u>
NON-CURRENT LIABILITIES			
Creditors and deposits received		(94.9)	(84.8)
Lease liabilities		(13.4)	(16.0)
Interest bearing bank borrowings	11	(13,452.5)	(11,589.9)
Other borrowings	12	(468.0)	(156.0)
Deferred tax liabilities		(1,589.8)	(1,618.1)
Total non-current liabilities		<u>(15,618.6)</u>	<u>(13,464.8)</u>
Net assets		<u>17,501.6</u>	<u>18,395.7</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		111.4	111.4
Reserves		11,089.8	11,653.7
		<u>11,201.2</u>	<u>11,765.1</u>
Perpetual securities		1,732.9	1,732.9
Non-controlling interests		4,567.5	4,897.7
Total equity		<u>17,501.6</u>	<u>18,395.7</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2023

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

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

For the six months ended 30th June, 2023

	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 equity (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 CASH FLOWS

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$'million	HK\$'million
Net cash flows from operating activities	<u>368.1</u>	<u>357.8</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of financial assets at amortised cost	(30.0)	(174.8)
Proceeds from redemption of financial assets at amortised cost	10.0	164.7
Purchases of financial assets at fair value through profit or loss	(18.4)	(110.5)
Proceeds from disposal of financial assets at fair value through profit or loss	1.2	9.3
Distribution from financial assets at fair value through profit or loss	0.7	3.7
Increase in loans receivable	(6.9)	(2.8)
Additions to investment properties	(2.0)	(2.1)
Proceeds from disposal of investment properties	13.2	16.0
Purchases of items of property, plant and equipment	(35.6)	(38.5)
Additions to other intangible assets	–	(2.8)
Repayment from an associate	–	40.2
Interest received	25.2	14.4
Dividends received from unlisted investments	4.7	0.8
Decrease in pledged time deposits and bank balances	1.9	96.1
Decrease/(increase) in restricted cash	1.3	(7.6)
Net cash flows from/(used) in investing activities	<u>(34.7)</u>	<u>6.1</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of new bank loans	1,056.7	3,779.0
Repayment of bank loans	(1,238.9)	(4,662.0)
Issue of a secured note	312.0	–
Interest paid	(496.3)	(177.2)
Payment of loan and other costs	(3.1)	(43.1)
Principal portion of lease payments	(5.9)	(6.2)
Distribution to non-controlling interests of a listed subsidiary	(8.2)	(33.5)
Acquisition of non-controlling interests in a listed subsidiary	(10.8)	(11.5)
Distribution to holders of perpetual securities	(57.4)	(57.4)
Increase in restricted cash	(215.7)	(0.7)
Net cash flows used in financing activities	<u>(667.6)</u>	<u>(1,212.6)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

		Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	Notes	HK\$'million	HK\$'million
NET DECREASE IN CASH AND CASH EQUIVALENTS		(334.2)	(848.7)
Cash and cash equivalents at beginning of period		2,005.2	2,584.2
Effect of foreign exchange rate changes, net		(9.4)	(10.7)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>1,661.6</u>	<u>1,724.8</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	13	1,661.6	1,734.8
Non-pledged time deposit with an original maturity of more than three months when acquired	13	—	(10.0)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		<u>1,661.6</u>	<u>1,724.8</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, 2023 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, 2022. 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, 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

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

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1st January, 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1st January, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position or performance of the Group upon initial application.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1st January, 2023, but are not required to disclose such information for any interim periods ending on or before 31st December, 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. Operating Segment Information

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's 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\$318.7 million and average lease rental yield ranging from 4.5% to 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, 2022 (Unaudited)		Six months ended 30th June, 2023 (Unaudited)		Six months ended 30th June, 2022 (Unaudited)		Six months ended 30th June, 2023 (Unaudited)		Six months ended 30th June, 2022 (Unaudited)		Six months ended 30th June, 2023 (Unaudited)		Six months ended 30th June, 2022 (Unaudited)		Six months ended 30th June, 2023 (Unaudited)		Six months ended 30th June, 2022 (Unaudited)		
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment revenue (note 3):																			
Sales to external customers	795.6	1,851.1	6.9	5.8	744.2	1,044.4	-	-	7.9	10.8	13.0	12.0	34.4	23.8	-	-	1,602.0	2,977.9	
Intersegment sales	2.4	1.9	8.7	2.0	2.2	42.0	44.3	44.4	-	-	-	-	90.6	88.3	(148.2)	(178.6)	-	-	
Total	798.0	1,853.0	15.6	7.8	746.4	1,056.4	44.3	44.4	7.9	10.8	13.0	12.0	125.0	112.1	(148.2)	(178.6)	1,602.0	2,977.9	
Segment results before depreciation	220.1	546.8	(5.0)	(1.3)	157.7	535.5	(6.9)	(7.3)	(35.1)	(31.1)	10.6	8.9	7.0	14.1	-	-	348.4	1,055.6	
Depreciation	(7.8)	(7.4)	(0.3)	(0.2)	(350.5)	(351.3)	-	-	-	-	(3.4)	(1.8)	(1.9)	(4.3)	-	-	(363.9)	(365.0)	
Segment results	212.3	539.4	(5.3)	(1.5)	(192.8)	184.2	(6.9)	(7.3)	(35.1)	(31.1)	7.2	7.1	5.1	9.8	-	-	(155)	700.6	
Unallocated interest income and unallocated non-operating and corporate gains																		23.4	13.6
Unallocated non-operating and corporate expenses																		(87.5)	(70.5)
Finance costs (other than interest on lease liabilities)																		522.7	(192.7)
Share of profits and losses of associates	0.1	0.8	-	-	(7.9)	(4.4)	-	-	-	-	-	-	-	-	-	-	(7.8)	(3.6)	
Profit/(Loss) before tax																		(610.1)	447.4
Income tax																		(36.4)	(142.0)
Profit/(Loss) for the period before allocation between equity holders of the parent and non-controlling interests																		(646.5)	305.4
Attributable to:																			
Equity holders of the parent																		(383.1)	230.9
Non-controlling interests																		(263.4)	74.5
																		(646.5)	305.4

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

3. Revenue, Other Income and Gains

Revenue, other income and gains are analysed as follows:

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$'million	HK\$'million
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Proceeds from sale of properties	764.7	1,826.9
Hotel operations and management services	708.1	984.2
Construction and construction-related income	2.0	1.9
Estate management fees	4.9	3.9
Other operations	34.1	23.3
	<u>1,513.8</u>	<u>2,840.2</u>
<i>Revenue from other sources</i>		
Rental income:		
Hotel properties	23.6	22.2
Investment properties	40.0	30.2
Aircraft	13.0	12.0
Others	2.6	2.1
Net gain from sale of financial assets at fair value through profit or loss	–	1.3
Interest income from financial assets at fair value through profit or loss	6.7	6.2
Interest income from finance lease	0.8	–
Dividend income from listed investments	1.2	3.3
Other operations	0.3	0.4
	<u>88.2</u>	<u>77.7</u>
	<u><u>1,602.0</u></u>	<u><u>2,917.9</u></u>

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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)

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

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>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$'million	HK\$'million
<u>Other income and gains</u>		
Bank interest income	13.4	7.0
Other interest income	14.7	7.1
Dividend income from unlisted investments	4.7	0.8
Gain on disposal of unlisted investments included in financial assets at fair value through profit or loss	0.7	5.7
Compensation received in relation to refinancing of a bank loan	–	23.7
Others	5.5	7.1
	<u>39.0</u>	<u>51.4</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, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$'million	HK\$'million
Profit on disposal of properties, net	384.2	709.3
Depreciation of property, plant and equipment	192.3	193.5
Depreciation of right-of-use assets	171.6	171.5
	<u>363.9</u>	<u>365.0</u>
Government subsidies* (included in cost of sales, other income and gains and administrative expenses)	–	20.8

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

5. Finance Costs

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans	481.4	167.9
Interest on other borrowings	7.7	–
Interest expenses arising from revenue contracts	5.0	8.6
Interest on lease liabilities	0.3	0.3
Amortisation of debt establishment costs	27.3	25.8
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>521.7</u>	<u>202.6</u>
Other loan costs	2.5	2.5
	<u>524.2</u>	<u>205.1</u>
Less: Finance costs capitalised	(1.2)	(12.1)
	<u>523.0</u>	<u>193.0</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

6. Income Tax

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$'million	HK\$'million
Current – Hong Kong		
Charge for the period	36.9	54.4
Overprovision in prior years	(0.9)	(0.3)
Current – the People's Republic of China (the "PRC") and overseas		
Charge for the period	0.1	84.7
Overprovision in prior years	(5.9)	–
PRC land appreciation tax	34.4	64.2
Deferred	(28.2)	(61.0)
Total tax charge for the period	<u>36.4</u>	<u>142.0</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2022 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

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

No provision for tax is required for the associates as no assessable profits were earned by the associates during the period. The share of tax attributable to associates amounted to HK\$0.1 million was included in "Share of profits and losses of associates" in the condensed consolidated statement of profit or loss for the prior period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

7. Dividend

No dividend was paid or proposed during the six months ended 30th June, 2023, nor has any dividend been proposed since the end of the reporting period (2022 - 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 loss per ordinary share for the period ended 30th June, 2023 is based on the loss for the period attributable to equity holders of the parent of HK\$383.1 million (2022 - profit of HK\$230.9 million), adjusted for the share of distribution related to perpetual securities of the RHIHL Group of HK\$39.7 million (2022 - HK\$39.7 million), and on the weighted average of 1,114.6 million (2022 - 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, 2023 and 2022 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\$98.8 million (31st December, 2022 - HK\$121.4 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, 2023 (Unaudited)	31st December, 2022 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	82.0	103.7
4 to 6 months	4.7	3.7
7 to 12 months	4.7	11.5
Over 1 year	23.7	30.4
	115.1	149.3
Impairment	(16.3)	(27.9)
	98.8	121.4

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, an associate and a related company of HK\$0.9 million (31st December, 2022 - HK\$1.4 million), HK\$7.4 million (31st December, 2022 - Nil) and HK\$1.2 million (31st December, 2022 - 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\$6.2 million (31st December, 2022 - HK\$6.9 million) in relation to the prepaid commission for sales of properties which is classified as contract costs in accordance with HKFRS 15.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

10. Creditors and Accruals

Included in the balance is an amount of HK\$56.9 million (31st December, 2022 - HK\$40.5 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	55.4	40.2
4 to 6 months	1.4	–
Over 1 year	0.1	0.3
	<u>56.9</u>	<u>40.5</u>

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

Included in the balance under current liabilities are amounts due to fellow subsidiaries and associates of HK\$3.3 million (31st December, 2022 - HK\$4.6 million) and HK\$1.7 million (31st December, 2022 - HK\$1.9 million), respectively, which are unsecured, non-interest bearing and repayable on demand.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

11. Interest Bearing Bank Borrowings

	30th June, 2023 (Unaudited)		31st December, 2022 (Audited)	
	Maturity	HK\$'million	Maturity	HK\$'million
Current				
Bank loans – secured	2023-2024	5,906.4	2023	7,929.2
Non-current				
Bank loans – secured	2024-2028	13,452.5	2024-2027	11,589.9
		<u>19,358.9</u>		<u>19,519.1</u>

	30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	5,906.4	7,929.2
In the second year	1,882.0	2,970.0
In the third to fifth years, inclusive	11,570.5	8,619.9
	<u>19,358.9</u>	<u>19,519.1</u>

On 10th August, 2021, Regal REIT group, through its wholly-owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, entered into a facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$500.0 million (the "2021 IH Facilities"), for a term of five years. The 2021 IH Facilities are secured by four of the five Initial Hotels, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel. As at 30th June, 2023, the 2021 IH Facilities had an outstanding amount of HK\$4,882.5 million, representing the full amount of the term loan facility and an amount of HK\$382.5 million under the revolving loan facility.

On 8th March, 2018, Regal REIT group arranged, through its wholly-owned subsidiary, Ricobem Limited, a bilateral term loan facility of HK\$3,000.0 million (the "2018 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. This facility had a term of five years to March 2023. In late June 2022, Regal REIT group concluded a 5-year term loan facility of HK\$2,950.0 million (the "2022 RKH Facility") with a new lender, similarly secured by the Regal Kowloon Hotel, which was used to refinance the 2018 RKH Facility. The 2022 RKH Facility has repayment obligations of HK\$50.0 million on each of its anniversary date to maturity. As at 30th June, 2023, the outstanding amount of the 2022 RKH Facility was HK\$2,900.0 million, after an instalment repayment of HK\$50.0 million in June 2023, representing the full amount of the term loan facility.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

On 19th July, 2019, Regal REIT group, through its wholly-owned subsidiary, Sonnix Limited, entered into a facility agreement for a term loan facility of HK\$440.0 million (the "2019 WC Facility"), for a term of five years to July 2024. The 2019 WC Facility was secured by the iclub Wan Chai Hotel and its principal amount was revised to HK\$405.0 million on 22nd June, 2020 for compliance with the terms of the facility agreement. As at 30th June, 2023, the outstanding facility amount of the 2019 WC Facility was HK\$405.0 million.

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

On 29th November, 2018, Regal REIT group arranged, through its wholly-owned subsidiary, Wise Decade Investments Limited, 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") and secured by the iclub Fortress Hill Hotel. The 2018 FH Facilities have a term of five years to November 2023. As at 30th June, 2023, the outstanding amount of the 2018 FH Facilities was HK\$704.0 million, representing the full amount of the term loan and revolving loan facilities.

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

As at 30th June, 2023, the outstanding loan facilities of the 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, 2022 - ranging from 1.05% per annum to 1.8% per annum).

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

As at 30th June, 2023, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 1.25% per annum to 2.75% per annum except for a bank loan of HK\$9.9 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\$9.9 million which was denominated in Euro.

As at 31st December, 2022, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 1.15% per annum to 2.75% per annum except for a bank loan of HK\$1,195.6 million, which bore interest at HIBOR plus an margin of 1.6% subject to a cap rate of 4.1% per annum and a bank loan of HK\$14.5 million, which bore interest at 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\$14.5 million which was denominated in Euro.

Included in interest bearing bank borrowings under current liabilities is an amount of HK\$768.8 million (31st December, 2022 - HK\$1,707.9 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 15 to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

12. Other Borrowings

	30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
	HK\$'million	HK\$'million
Unsecured note	–	156.0
Secured notes	468.0	–
	468.0	156.0
Analysed into:		
Other borrowings repayable:		
In the third to fifth years, inclusive	468.0	156.0

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

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

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

13. Notes to the Condensed Consolidated Statement of Cash Flows

Cash and cash equivalent balances

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$'million	HK\$'million
Cash and bank balances	963.3	977.9
Non-pledged time deposits with an original maturity of less than three months when acquired	698.3	746.9
Non-pledged time deposit with an original maturity of more than three months when acquired	–	10.0
Cash and cash equivalents	1,661.6	1,734.8

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

14. Related Party Transactions

(a) Transactions with related parties

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

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$'million	HK\$'million
A wholly owned subsidiary of the listed ultimate holding company: Management fees	34.8	34.1
Associates:		
Advertising and promotion fees (including cost reimbursements)	2.0	2.9
Interest income	7.4	2.3
A company owned by a family member of a Director of the Company: Rental income	0.7	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, 2022.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

	30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
	HK\$'million	HK\$'million
Loans to an associate	410.5	410.5
Due from associates	89.9	82.5
Due from a fellow subsidiary	0.9	1.4
Due from a related company	1.2	1.2
Due to fellow subsidiaries	(3.3)	(4.6)
Due to associates	(1.7)	(1.9)
	<u>410.5</u>	<u>410.5</u>

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

	Six months ended 30th June, 2023 (Unaudited)	Six months ended 30th June, 2022 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	22.6	23.6
Staff retirement scheme contributions	1.6	1.7
Total compensation paid to key management personnel	<u>24.2</u>	<u>25.3</u>

15. Pledge of Assets

As at 30th June, 2023, 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\$30,714.7 million (31st December, 2022 - HK\$30,936.1 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, 2023, certain ordinary shares in a listed subsidiary with a market value of HK\$281.5 million (31st December, 2022 - HK\$275.4 million) were also pledged to secure general banking facilities granted to the Group.

16. Contingent Liabilities

As at 30th June, 2023, 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, 2022 - HK\$400.0 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, 2022 - HK\$15.0 million) as at 30th June, 2023.

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 RMB478.3 million (HK\$515.8 million) (31st December, 2022 - RMB519.6 million (HK\$586.1 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.

17. Capital Commitments

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

	30th June, 2023 (Unaudited)	31st December, 2022 (Audited)
	HK\$'million	HK\$'million
Contracted, but not provided for:		
Property development projects	<u>438.5</u>	<u>523.0</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

18. Fair Value and Fair Value Hierarchy of Financial Instruments

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

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

Fair value hierarchy

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

Assets measured at fair value as at 30th June, 2023

	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	131.5	–	–	131.5
Unlisted equity investment	–	–	41.1	41.1
Unlisted fund investments	–	–	162.7	162.7
Financial assets at fair value through profit or loss:				
Listed equity investments	94.4	122.1	–	216.5
Listed debt investments	–	111.5	–	111.5
Unlisted equity investments	–	–	117.4	117.4
Unlisted fund investments	–	–	657.1	657.1
Unlisted debt investments	–	–	3.3	3.3
Derivative financial instruments	–	92.5	–	92.5
	225.9	326.1	981.6	1,533.6

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Assets measured at fair value as at 31st December, 2022

	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	149.3	–	–	149.3
Unlisted equity investment	–	–	43.0	43.0
Unlisted fund investments	–	–	251.0	251.0
Financial assets at fair value through profit or loss:				
Listed equity investments	206.7	–	–	206.7
Listed debt investments	–	131.7	–	131.7
Unlisted equity investments	–	–	123.3	123.3
Unlisted fund investments	–	–	675.6	675.6
Unlisted debt investments	–	–	3.3	3.3
Derivative financial instruments	–	70.1	–	70.1
	<u>356.0</u>	<u>201.8</u>	<u>1,096.2</u>	<u>1,654.0</u>

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

	2023 (Unaudited) HK\$'million	2022 (Unaudited) HK\$'million
At 1st January	1,096.2	776.3
Purchases	18.4	110.5
Distributions	(0.7)	(3.7)
Unrealised losses recognised in profit or loss	(129.7)	(39.4)
Disposals	(0.7)	(3.5)
Exchange realignment	(1.9)	(2.0)
At 30th June	<u>981.6</u>	<u>838.2</u>

During the period, the Group transferred the fair value of a listed equity investment at fair value through profit or loss amounting to HK\$122.1 million from Level 1 into Level 2 due to lack of marketability (2022 - Nil).

During the period, there were no transfers into or out of Level 3 for financial assets (2022 - Nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 30th June, 2023 (31st December, 2022 - Nil).

Valuation techniques

The fair values of listed equity investments are determined based on quoted market prices or using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms.

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

19. 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, 2023.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2023, 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, 2023)
			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%)
	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)	111,815,396	2,032,315,326 (Note a)	380,683	2,144,511,405 (69.34%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
	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, 2023)
				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)	–	5,121,012,144 (Note e)	–	5,121,012,144
			(ii) (unissued)	–	3,045,487,356 (Note f)	–	3,045,487,356
							Total: 8,166,499,500 (127.75%)
			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 1,973,420,928 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").
- (ii) The interests in the other 58,894,398 issued ordinary shares of CCIHL were derivative interests held by YSL International Holdings Limited ("YSL Int'l"), a company wholly owned by Mr. Lo, under the right of first refusal to purchase such shares granted by the Dalton Group (comprising Dalton Investments LLC and its two affiliates).
- (b) The interests in 694,124,547 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 67.43% shareholding interests.

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

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

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

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

- (c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 67.43% shareholding interests. The interests in 622,433,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 62.28% shareholding interests. The Company held 69.25% shareholding interests in RHIHL.
- (d) The interests in 269,169 issued ordinary shares of RHIHL were held through a company wholly owned by Miss Lo Po Man.
- (e) (i) The interests in 3,154,167,480 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings Limited ("P&R"), which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The interests in the other 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 67.43% shareholding interests in CCIHL.
- (ii) The interests in 368,320,000 issued ordinary shares of Cosmopolitan were held by Valuegood International Limited, a wholly owned subsidiary of P&R, as the purchaser to acquire such shares from AMTD Properties (HK) Limited under a conditional agreement dated 30th June, 2023 (the "Cosmo Shares Transfer Agreement"). Completion of the Cosmo Shares Transfer Agreement is subject to fulfilment of certain conditions on or before 31st December, 2023.

OTHER INFORMATION (Cont'd)

- (f) The interests in 3,045,487,356 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R, which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 67.43% shareholding interests in CCIHL.

The interests in 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\$300,000,000 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).

- (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 67.43% shareholding interests in CCIHL.
- (h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 67.43% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2023, 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, 2023, 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, 2023
YSL Int'l (Note i)	694,124,547	–	694,124,547	62.28%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	694,124,547	–	694,124,547	62.28%
CCIHL (Note iii)	694,124,547	–	694,124,547	62.28%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	694,124,547	–	694,124,547	62.28%
Almighty International Limited ("Almighty") (Note iv)	346,994,526	–	346,994,526	31.13%
Cleverview Investments Limited ("Cleverview") (Note iv)	180,811,470	–	180,811,470	16.22%

Notes:

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

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 30th June, 2023, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30th June, 2023 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, 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, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleverview.

OTHER INFORMATION (Cont'd)

CHANGE IN INFORMATION OF DIRECTORS

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, 2022 is set out below:

Name of Director	Details of change
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Independent Non-Executive Director:

- | | |
|-----------------------------------|--|
| Mr. Abraham Shek Lai Him, GBS, JP | <ul style="list-style-type: none">Goldin Financial Holdings Limited (In Liquidation), of which Mr. Abraham Shek Lai Him is a chairman and an executive director, was ordered to be wound up by the Supreme Court of Bermuda under the provisions of the Bermuda Companies Act 1981 on 11th August, 2023. |
|-----------------------------------|--|

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, 2023, 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, 2023.

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, 2023.

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, 2023, in conjunction with the external auditor. The review report of the external auditor is set out on page 64 of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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

Introduction

We have reviewed the interim financial information set out on pages 25 to 56, which comprises the condensed consolidated statement of financial position of Paliburg Holdings Limited (the “Company”) and its subsidiaries as at 30th June, 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

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

25th August, 2023

www.paliburg.com.hk