



百利保控股有限公司

Paliburg
Holdings Limited

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



2021
INTERIM REPORT

CONTENTS

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

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Lo Yuk Sui

(Chairman and Chief Executive Officer)

Jimmy Lo Chun To

(Vice Chairman and Managing Director)

Donald Fan Tung

(Chief Operating Officer)

Lo Po Man

Kenneth Ng Kwai Kai

Kenneth Wong Po Man

Independent Non-Executive Directors

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)

Lo Yuk Sui

Winnie Ng, JP

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)

Bowen Joseph Leung Po Wing, GBS, JP

Winnie Ng, JP

Abraham Shek Lai Him, GBS, JP

Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited

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

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China (Asia) Limited

Nanyang Commercial Bank, Limited

Standard Chartered Bank (Hong Kong) 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

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

REGISTERED OFFICE

4th Floor North, Cedar House, 41 Cedar Avenue

Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street

Causeway Bay, Hong Kong

Tel: 2894 7888

Fax: 2890 1697

Website: www.paliburg.com.hk

Mr. Lo Yuk Sui, aged 76; *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 47; *Vice Chairman and Managing Director* — Appointed to the Board in 1999. Mr. Jimmy Lo has been a Vice Chairman and Managing Director of the Company since 2013. He is also an executive director and a vice chairman of CCIHL, an executive director of RHIHL, an executive director, a vice chairman and the managing director of Cosmopolitan, and a non-executive director of RPML. Mr. Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. Mr. Lo joined the Century City Group in 1998. He is primarily involved in overseeing the Group's property projects in the People's Republic of China (the "PRC") and, in addition, undertakes responsibilities in the business development of the Century City Group. Mr. Lo is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Mr. Fan Tung, Donald, aged 64; *Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as the Chief Operating Officer in 2007. Mr. Donald Fan is also an executive director of CCIHL and RHIHL and a non-executive director of RPML. Mr. Fan is a qualified architect and has been with the Group since 1987. He is principally involved in the Group's property development, architectural design and project management functions as well as overseeing the building construction business of the Group.

Mr. Leung Po Wing, Bowen Joseph, GBS, JP, aged 71; *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)

Miss Lo Po Man, aged 41; *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 functions 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 66; *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 57; *Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2018. She is also an independent non-executive director of CCIHL and RHIHL since 2018. Ms. Ng holds an MBA (Master of Business Administration) from University of Chicago and an MPA (Master of Public Administration) from Harvard University. Ms. Ng has received numerous awards and recognition. In 2019, Ms. Ng received the Outstanding Businesswomen Award and in 2017, she was appointed a Justice of the Peace. In 2016, she won Nobel Laureate Series: Asian Chinese Leadership Award and China Top Ten Outstanding Women Entrepreneurs. In previous years, she received recognitions as a Woman of Excellence in Hong Kong, one of 60 Meritorious Chinese Entrepreneurs with Achievement and National Contribution, Yazhou Zhoukan Young Chinese Entrepreneur Award and was Mason Fellow of Harvard University. Active in public service, Ms. Ng is Director of Po Leung Kuk, Member of Women's Commission, Member of Town Planning Board, Director of CUHK Medical Centre, Advisor of Our Hong Kong Foundation, Council Member of The Better Hong Kong Foundation, and Court Member of The Hong Kong Polytechnic University. She was Chairman of Hospital Governing Committee of Prince of Wales Hospital from 2014 to 2020, Member of Hong Kong Tourism Board and its Marketing & Business Development Committee Chairman, Member of Hospital Authority and its Supporting Services Development Committee Chairman from 2010 to 2016, Member of Employees Retraining Board and its Course Vetting Committee Convenor, and Member of Vocational Training Council from 2011 to 2017. Ms. Ng is also a non-executive director of Transport International Holdings Limited, and she was the founder, deputy chairman and a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited). Both companies are listed on the Stock Exchange.

Hon Shek Lai Him, Abraham (Alias: Abraham Razack), GBS, JP, aged 76; 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. Mr. Shek is currently a member of the Legislative Council of the Hong Kong Special Administrative Region. He is also a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption of Hong Kong, an honorary member of the Court of The Hong Kong University of Science and Technology, and a member of both of the Court and the Council of The University of Hong Kong. Mr. Shek is an executive director, the vice chairman and a member of the nomination committee of Goldin Financial Holdings Limited, the Honorary Chairman, an independent non-executive director and the chairman of the audit committee of Chuang's China Investments Limited, the 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, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, CSI Properties Limited, Everbright Grand China Assets Limited, Far East Consortium International Limited, Hao Tian International Construction Investment Group Limited, Landing International Development Limited, Lifestyle International Holdings Limited and NWS Holdings Limited, and an independent non-executive director of International Alliance Financial Leasing Co., Ltd. and Lai Fung Holdings Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

Mr. Wong Chi Keung, aged 66; Independent Non-Executive Director — Invited to the Board as Independent Non-Executive Director in 2004. He is also an independent non-executive director of CCIHL and RHIHL. Mr. Wong holds a Master's Degree in Business Administration from the University of Adelaide in Australia. Mr. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Chartered Governance Institute and The Chartered Institute of Management Accountants. Mr. Wong is a responsible officer for asset management and advising on securities under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as Yuexiu Property Company Limited), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard Hotel Group Limited, Asia Standard International Group Limited, Changyou Alliance Group Limited, China Ting Group Holdings Limited, Golden Eagle Retail Group Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 38 years of experience in finance, accounting and management.

Mr. Wong Po Man (Alias: Kenneth), aged 55; 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 28 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 pleased to present herewith the 2021 Interim Report of the Company.

FINANCIAL RESULTS

For the six months ended 30th June, 2021, the Group recorded an unaudited consolidated loss attributable to shareholders of HK\$136.4 million, as compared to the loss of HK\$558.8 million for the comparative period in the prior year.

As mentioned in the announcement on the Group's financial information update published by the Company on 17th August, 2021, the core hotel businesses of the Group, which are principally undertaken through Regal Hotels International Holdings Limited, the major listed subsidiary of the Company, continued to be severely disrupted by the COVID-19 pandemic. Although Regal was able to maintain an overall net operating profit in its hotel operations, the amount contributed from this business segment was far below its normal pre-pandemic level. The substantial decrease in the loss incurred in this interim period, as compared to the same period in 2020, was primarily attributable to the increased profit contribution derived from those property sales at Mount Regalia in Kau To, Sha Tin developed by P&R Holdings Limited (a 50/50 joint venture with Regal and effectively a subsidiary of the Group) that were completed during the period, fair value gains on investment properties and financial assets as well as the decrease in impairment losses on other assets and the reduction in the finance costs incurred due to the low interbank interest rates prevailing during the period.

For the period under review, the Group recorded a gross profit of HK\$447.0 million (2020 - HK\$207.5 million) and an operating profit before depreciation and amortisation of HK\$243.3 million (2020 - loss of HK\$251.0 million). As the Group's hotel properties in Hong Kong are all owned and operated within the Group, they are classified in the Group's consolidated financial statements as property, plant and equipment and right-of-use assets and subject to depreciation charges to conform to applicable accounting standards. Accordingly, depreciation charges in the amount of HK\$295.5 million have been provided on these hotel properties for this interim period (2020 - HK\$284.0 million) which, although having no impact on the Group's cash flow, have nevertheless adversely impacted the Group's results. If these non-cash depreciation charges were not taken into account, the Group would have instead recorded a profit attributable to shareholders for the period under review.

Supplementary information showing the adjusted net asset value of the Company of HK\$14.13 per share as at 30th June, 2021, 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 "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.

To rationalise the Group's holding of shares in Regal, the Group acquired from Cosmopolitan International Holdings Limited, a fellow subsidiary of Regal, its 2.6% shareholding interest held in Regal in April 2021. Consequently, as at 30th June, 2021, the Group directly held, through its wholly owned subsidiaries, a controlling shareholding interest of approximately 69.3% in Regal. Regal, in turn, holds approximately 74.9% of the outstanding units of Regal Real Estate Investment Trust, the listed subsidiary of Regal which presently owns five Regal Hotels and four iclub Hotels in Hong Kong.

The Group's property development and investment businesses in Hong Kong are principally conducted through P&R Holdings which, as mentioned above, is a 50/50 joint venture between the Group and Regal. At appropriate times, Regal has also undertaken on its own some property projects.

Apart from its property business, P&R Holdings also holds an effective controlling shareholding interest in Cosmopolitan, comprising interests in its ordinary shares, convertible preference shares as well as convertible bonds. On 4th August, 2021, the P&R Holdings group entered into a Deed of Variation with Cosmopolitan with respect to its holding of the outstanding convertible bonds in the principal amount of HK\$500 million issued by Cosmopolitan, the principal terms of which are further explained in the paragraph headed "Cosmopolitan International Holdings Limited" below. As a term agreed under the Deed of Variation, the P&R Holdings group converted on 11th August, 2021 part of the outstanding convertible bonds in the principal amount of HK\$200 million into 500 million new ordinary shares of Cosmopolitan. Immediately following such conversion, the holding of P&R Holdings in the issued ordinary share capital of Cosmopolitan has increased from approximately 44.1% as at 31st December, 2020 to 48.4%. If all of its holdings in the remaining convertible bonds and convertible preference shares of Cosmopolitan are converted, P&R Holdings' shareholding interest in Cosmopolitan will amount to approximately 65.1% of its enlarged capital, based on its existing capital structure. Cosmopolitan is effectively a listed member of the Group and is primarily engaged in property business in China and other investments.

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

PROPERTIES

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

The Mount Regalia in Kau To, Sha Tin is a major residential development undertaken by P&R Holdings. The development has a total of 24 garden houses and 136 apartment units, complemented with car parks and club house facilities. This development has received eight international awards including winner of Luxury Lifestyle Awards as Best Luxury Residential Development and Best Luxury Sustainable Residential Development in Hong Kong in 2021 as well as for the superb interior designs of certain of its show houses and apartment units. Property sales of this development have progressed steadily and, up to date, a total of 15 garden houses and 43 apartment units have been sold or contracted to be sold. The unsold houses and apartment units, comprising the majority portion of the properties available for sale in this development, will continue to be marketed for sale on a gradual basis.

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

Apart from Mount Regalia, P&R Holdings also owns a mixed portfolio of completed properties and hotels as well as properties held for development in Hong Kong. These included the We Go MALL in Ma On Shan, Sha Tin held as an investment property, the iclub Mong Kok Hotel that it presently self-operates, a 50% interest in the iclub AMTD Sheung Wan Hotel that was officially opened for business in November 2020, a commercial/residential property development at Kam Wa Street in Shau Kei Wan, ownership interests of over 80% to 100% in some existing properties at Castle Peak Road also planned for a commercial/residential development and, in addition, the commercial podium in The Ascent in Sham Shui Po and some retained houses in Casa Regalia in Yuen Long.

CHAIRMAN'S STATEMENT (Cont'd)

Additional information on the Group's property development projects and properties, including those undertaken by P&R Holdings and Regal as well as the projects in 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, 2021, Regal recorded an unaudited consolidated loss attributable to shareholders of HK\$276.4 million, as compared to the loss of HK\$853.3 million for the comparative period in the prior year.

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

Moreover, to conform to the applicable accounting standards, depreciation charges in the amount of HK\$251.1 million were provided on its hotel portfolio in Hong Kong which, although not affecting cash flow, have nevertheless impacted Regal's reported results. As a matter of fact, most of the loss incurred by Regal for the period under review could be attributed to these depreciation charges.

BUSINESS OVERVIEW

HOTELS

MARKET OVERVIEW

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

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

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

During the six months under review, there were only minimal visitors to Hong Kong, with total visitor arrivals, including those from Mainland China, having dropped by 99.0% year-on-year. Based on the information published by the Hong Kong Tourism Board, the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June, 2021 was 56.0%, an increase of 17 percentage points year-on-year, but the average achieved room rate shrank by 8.4%. Although the average Revenue per Available Room (RevPAR) for the period has consequently increased by 31.7% year-on-year, this reflected to a very large extent the effect of the low comparative base in 2020.

HOTEL OWNERSHIP

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

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

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

REGAL REAL ESTATE INVESTMENT TRUST

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

For the six months ended 30th June, 2021, Regal REIT recorded an unaudited consolidated loss before distribution to Unitholders of HK\$74.5 million, as compared to the loss of HK\$2,096.2 million for the corresponding period in 2020. The loss recorded for the interim period was principally attributable to the reduction of HK\$213.1 million in the fair value of Regal REIT's investment property portfolio, based on the market valuations appraised by its principal valuer as of 30th June, 2021, as compared to the appraised value as of 31st December, 2020. For the corresponding period last year, a fair value loss of HK\$2,288.2 million was recorded. If these fair value changes are excluded, the core operating profit before distribution to its unitholders for the interim period would amount to HK\$138.6 million, as compared to HK\$192.0 million for the same period in 2020.

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

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

HOTEL OPERATIONS

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

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

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

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

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

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

HOTEL MANAGEMENT

Regal Hotels International Limited, the wholly owned management arm of the Regal group, is the hotel manager managing all the five Regal Hotels and six iclub Hotels operating in Hong Kong, including the iclub Mong Kok Hotel and the iclub AMTD Sheung Wan Hotel officially opened in November 2020. The Regala Skycity Hotel, which is planned to be opened for business before the end of this year, will be the next major addition to the management portfolio of Regal Hotels International in Hong Kong.

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

PROPERTIES

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

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

Further detailed information on the Regal group's development projects and properties, including the garden houses retained in Regalia Bay, Stanley, another commercial/residential project at Hai Tan Street, Shum Shui Po and a renovation for sale project in Lisbon, Portugal is contained in the "Management Discussion and Analysis" section.

AIRCRAFT OWNERSHIP AND LEASING

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

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

For the six months ended 30th June, 2021, Cosmopolitan achieved an unaudited consolidated profit attributable to shareholders of HK\$1.2 million, as compared to the loss of HK\$79.0 million recorded for the same period last year.

The improved financial results attained by Cosmopolitan for the period under review was primarily attributable to the gain realised on the disposal of financial assets, as well as the reduction in the finance costs incurred.

BUSINESS OVERVIEW

Despite the continuing adverse impact on social and economic activities worldwide caused by the COVID-19 pandemic and the growing complexities in the global economy due to the increased international trade disputes and political tensions, China was expected to maintain a year-on-year growth of 12.7% in its Gross Domestic Product in the first six months of 2021, according to preliminary estimates.

As the central government of China continued to implement different administrative and fiscal policies to regulate its real estate market, property prices were generally under pressure during the period under review, particularly in the secondary markets in the first line cities. Although the transacted price as well as the overall transacted value of the land sales in China in the first half of 2021 continued to increase year-on-year, given the determination of the central government to control market expectations and to maintain market stability, the overall property market in China is expected to further consolidate, but this should however be beneficial for its healthy development in the long term.

As disclosed in the joint announcement by the Company dated 27th April, 2021, Cosmopolitan disposed of all its holdings in the shares of Regal to a wholly owned subsidiary of the Company and all the units held in Regal REIT to a wholly owned subsidiary of Regal. While these transactions could facilitate the rationalisation of the shareholding structure in the listed entities within the Group, they raised for Cosmopolitan aggregate cash proceeds of HK\$126.9 million to strengthen its working capital. These transactions also generated for Cosmopolitan a disposal gain of HK\$49.2 million, which has been accounted for in its results for the period under review.

CHAIRMAN'S STATEMENT (Cont'd)

As mentioned above, on 4th August, 2021, Cosmopolitan entered into a Deed of Variation with a wholly owned subsidiary of P&R Holdings, which is the holder of the outstanding convertible bonds issued by the Cosmopolitan group. The outstanding convertible bonds with a total principal amount of HK\$500 million were due to mature on 18th August, 2021. Under the Deed of Variation, the parties conditionally agreed, among other things, to amend the terms of the convertible bonds in the principal amount of HK\$300 million to the effect that the maturity date shall be extended to 18th August, 2026 and the existing coupon interest at the rate of 3.5% per annum shall be changed to zero coupon, but with a redemption yield at the same rate of 3.5% per annum (compounded semi-annually). Save for the two amendments mentioned above, all other terms and conditions of the convertible bonds will remain unchanged. The proposed amendments shall only become effective upon fulfillment of the condition, among others, that the Deed of Variation and the transactions contemplated thereunder shall have been approved by the independent shareholders of Cosmopolitan at the extraordinary general meeting convened to be held on 30th August, 2021.

In consideration of the parties having entered into the Deed of Variation, the P&R Holdings group undertook to convert the outstanding convertible bonds in the remaining principal amount of HK\$200 million in accordance with the terms of the convertible bonds, which were so converted into 500 million new ordinary shares of Cosmopolitan on 11th August, 2021.

Nearly all of the 1,555 residential units comprised in the ten residential towers in the third stage of the Cosmopolitan group's Regal Cosmopolitan City development in Chengdu, China have been presold, at prices which are significantly higher than those achieved in the first and second stages of the development. The construction works for these ten residential towers are near completion and the residential units are planned to be delivered to the respective unit purchasers in stages beginning from the fourth quarter of this year.

The third stage of the Regal Cosmopolitan City also contains other commercial components, including a 325-room hotel, a commercial complex, five towers of office accommodations as well as shops and car parking spaces. The presale programme for the units in one of the office towers has recently commenced in May 2021.

In the meantime, the construction works of the two office towers and commercial podium in the Regal Renaissance in Tianjin being developed by the Cosmopolitan group are progressing as planned and targeted to be completed in the fourth quarter of 2022.

Further detailed information on the two composite development projects in Chengdu and Tianjin as well as the other projects and investments undertaken by the Cosmopolitan group is contained in the "Management Discussion and Analysis" section.

OUTLOOK

REGAL GROUP

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

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

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

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

COSMOPOLITAN GROUP

The uncertainties surrounding the global economy are expected to persist, at least in the near term. Moreover, as some parts of China have recently re-imposed lock down measures to combat the resurging number of COVID-19 infected cases in their local communities, this could potentially affect the pace of the economic growth of China in the second half of this year.

The Cosmopolitan group has attained apparent improvement in its financial performance in the first half of 2021, reverting from a loss position in 2020 to achieving a profit, although relatively modest, in the period under review. As a major part of the presold residential units in the third stage of the Regal Cosmopolitan City are scheduled to be handed over to the respective unit purchasers before the end of this year, substantial profits from these secured presales are expected to be accounted for in the Cosmopolitan group's financial results for the full year of 2021.

The Cosmopolitan group remains optimistic of the future prospects of the economy in China and will continue to seek appropriate investment opportunities in the Mainland as part of its business development plan.

PALIBURG GROUP

Amid the growing optimism in the continuing revival of the economy of Hong Kong, the ample market liquidity and the persistent low interest rate environment, the residential property market in Hong Kong in the second half of this year will remain robust under the strong buying sentiment, while the other market sectors should continue to pick up on their recovery pace.

The Group's various completed development properties as well as those property projects under development, both in Hong Kong and China, are expected to generate for the Group substantial cash flow and profit contribution in the coming few years.

The Directors believe that the most challenging times brought about by the pandemic should be over and that, barring any unforeseen circumstances, the financial performance of the Group should continue to improve.

LO YUK SUI

Chairman

Hong Kong
24th August, 2021

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 undertaken through Regal Real Estate Investment Trust ("Regal REIT"), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings Limited ("P&R Holdings"), aircraft ownership and leasing and other investment businesses.

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

The performance of the Group's property, construction and building related and other investment businesses, and the principal businesses of RHIHL and Regal REIT as well as those of Cosmopolitan during the period under review, the commentary on the property and hotel sectors in which the Group operates and the changes in the general market conditions and the potential impact on their operating performances and future prospects are contained in the 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 as disclosed in the sections headed "Business Overview" and "Outlook" in the preceding Chairman's Statement, and in this section.

P&R HOLDINGS LIMITED

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

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

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

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

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

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

This development has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. This shopping mall was opened for business in 2018 and is held for rental income. Although the rental rates on new leaseings and lease renewals during the period have been affected by the adverse impact brought about by the pandemic, the overall leasing status of this shopping mall remained stable.

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

This is a joint venture project undertaken pursuant to a tender award by the Urban Renewal Authority of Hong Kong in 2014. The land has a site area of 824.9 square metres (8,879 square feet) and has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement car parks. The project was completed in 2018 and the residential units have all been sold. An agreement for the sale of 1 shop unit and 1 car park was recently entered into subsequent to the interim period. The remaining shops and 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 has received eight international awards including winner of Luxury Lifestyle Awards as Best Luxury Residential Development and Best Luxury Sustainable Residential Development in Hong Kong in 2021 as well as for the superb interior designs of certain of its show houses and apartment units.

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

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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

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

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

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

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

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

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

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

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

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

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

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 the RHIHL group, which are all wholly owned by RHIHL (except as otherwise denoted), is set out below:

Hong Kong

New hotel project at the Hong Kong International Airport, named as "Regala Skycity Hotel"

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

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

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

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

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

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

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

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

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

Since the last balance sheet date, the RHIHL group has contracted to sell 3 garden houses in Regalia Bay at satisfactory prices. Presently, 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, 3 as held for sale and 3 as property, plant and equipment and right-of-use assets. The RHIHL group will continue to dispose of some of these remaining houses if the prices offered are considered satisfactory.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Overseas

Campus La Mola, Barcelona, Spain

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

41 Kingsway, London WC2B 6TP, the United Kingdom

This is a freehold existing property located at a prime location in London, which the RHIHL group acquired in April 2019. This existing property has 9 storeys (including basement and ground floor) with gross floor area of approximately 2,150 square metres (23,140 square feet) and is presently vacant. The design and planning programme for the renovation of this property into a hotel with a restaurant is being refined and the renovation works are now anticipated to be commenced in the first quarter of 2022. The hotel will be self-operated by the RHIHL group on completion of the renovation works.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

The RHIHL group has recently acquired the remaining 10% equity interest from the other shareholder and now wholly owns this property project, which is a rehabilitation and renovation project for a historic building located in an area of vast historical heritage. The building has gross development area of about 1,836 square metres (19,768 square feet) comprising shops and apartments. The design for the renovation programme has been approved by the local government authorities and the renovation works are underway. There have been some delays due to the coronavirus pandemic and project completion is now expected to be in the fourth quarter of 2021. This property project is intended for sale.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

Property Development

Chengdu Project – Regal Cosmopolitan City

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

The superstructure and fitting-out works for the third stage of the development, consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces, are in steady progress and targeted to be completed before the end of 2021. Nearly all of the residential units in the third stage have been presold, at prices which are significantly higher than those attained in the first and second stages of the development. Total sales proceeds amount to approximately RMB2,031.3 million (HK\$2,443.0 million), of which approximately RMB1,986.1 million (HK\$2,388.7 million) have been received by the Cosmopolitan group as deposits under the presale contracts. The residential units are planned to be delivered to the respective unit purchasers in stages beginning from the fourth quarter of this year.

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

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

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

Tianjin Project – Regal Renaissance

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

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

The superstructure works of the two office towers and their commercial podium are progressing and planned to be completed in the fourth quarter of 2022. Presale of one office tower consisting of 137 units with a total of about 17,530 square metres (188,700 square feet) is planned to be launched in the second half of 2021. The presale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), will be launched in phases thereafter. The market positioning works for the commercial podium are in progress.

Xinjiang Project

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

CONSTRUCTION AND BUILDING RELATED BUSINESSES

The Group's wholly owned construction arm, Chatwin Engineering Limited ("Chatwin"), was the main contractor for the construction of P&R Holdings' hotel developments at Bonham Strand, Sheung Wan (now operating as the iclub Sheung Wan Hotel), Merlin Street, Fortress Hill (now operating as the iclub Fortress Hill Hotel) and Ha Heung Road, To Kwa Wan (now operating as the iclub Ma Tau Wai Hotel), which were completed in the years between 2014 and 2016, as well as the residential project named Domus and Casa Regalia at Tan Kwai Tsuen Road, Yuen Long completed in November 2015. Chatwin was also the main contractor for P&R Holdings' iclub Mong Kok Hotel at Anchor Street/Fuk Tsun Street, Tai Kok Tsui, that was completed in late 2018 and opened for business in March 2019.

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

FINANCIAL ASSETS AND OTHER INVESTMENTS

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

FINANCIAL REVIEW

ASSETS VALUE

All the hotel properties of the Group in Hong Kong owned by Regal REIT, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, were stated in the financial statements at their fair values as at 7th May, 2012 when RHIHL, together with Regal REIT, became subsidiaries of the Group, plus subsequent capital additions and deducting accumulated depreciation. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel were stated in the Group's financial statements at cost after full elimination of the unrealised gain arising from the disposal of the hotels by P&R Holdings to Regal REIT, and are also subject to depreciation and impairment. For the purpose of providing supplementary information, if the entire hotel property portfolio of the RHIHL group in Hong Kong is restated in the condensed consolidated financial statements at market value as at 30th June, 2021, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$14.13 per share, computed as follows:

	As at 30th June, 2021	
	HK\$'million	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	12,999.6	11.66
Adjustment to restate the RHIHL group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	2,745.7	2.47
Unaudited adjusted net assets attributable to equity holders of the parent	15,745.3	14.13

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

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

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

Cash Flows

Net cash flows generated from operating activities during the period under review amounted to HK\$265.8 million (2020 - HK\$825.5 million). Net interest payment for the period amounted to HK\$140.7 million (2020 - HK\$234.0 million).

Borrowings and Gearing

As at 30th June, 2021, the Group had cash and bank balances and deposits of HK\$4,174.1 million (31st December, 2020 - HK\$3,117.3 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$17,278.4 million (31st December, 2020 - HK\$17,196.8 million).

As at 30th June, 2021, the gearing ratio of the Group was 36.2% (31st December, 2020 - 36.8%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK\$17,278.4 million (31st December, 2020 - HK\$17,196.8 million), as compared to the total assets of the Group of HK\$47,705.0 million (31st December, 2020 - HK\$46,789.9 million).

On the basis of the adjusted total assets as at 30th June, 2021 of HK\$52,948.6 million (31st December, 2020 - HK\$51,963.7 million) with the hotel portfolio owned by the RHIHL group in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 32.6% (31st December, 2020 - 33.1%).

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

As at 30th June, 2021, the Group had net current assets of HK\$612.7 million (31st December, 2020 - net current liabilities of HK\$648.1 million), with certain bank and other borrowings due to mature or to be repaid in the second half of the financial year ending 31st December, 2021. In February 2021, the Group completed a refinancing with a syndicate of bank lenders for a 3-year term facility in an aggregate facility amount of HK\$4,125.0 million secured on the Mount Regalia properties.

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

Details of the maturity profile of the borrowings of the Group as of 30th June, 2021 are shown in notes 11 and 12 to the condensed consolidated financial statements.

Lease Liabilities

As at 30th June, 2021, the Group had lease liabilities of HK\$21.8 million (31st December, 2020 - HK\$29.1 million).

Pledge of Assets

As at 30th June, 2021, 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, derivative financial instruments, time deposits and bank balances in the total amount of HK\$32,736.0 million (31st December, 2020 - HK\$33,043.8 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, 2021, certain ordinary shares in a listed subsidiary with a market value of HK\$360.2 million (31st December, 2020 - HK\$237.8 million) were also pledged to secure general banking facilities granted to the Group.

Capital Commitments

Details of the capital commitments of the Group as at 30th June, 2021 are shown in note 18 to the condensed consolidated financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 30th June, 2021 are shown in note 17 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, 2021 (2020 - Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

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

STAFF AND REMUNERATION POLICY

The Group employs approximately 1,640 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, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	Notes	HK\$'million	HK\$'million
REVENUE	2, 3	1,111.1	829.3
Cost of sales		(664.1)	(621.8)
Gross profit		447.0	207.5
Other income and gains, net	3	28.5	50.0
Fair value gains/(losses) on investment properties, net		45.9	(105.9)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		24.5	(127.9)
Gain on disposal of subsidiaries	13	–	68.9
Impairment loss of items of property, plant and equipment		(30.4)	(17.1)
Impairment loss on right-of-use assets		–	(47.1)
Impairment loss on properties held for sale		(0.8)	(15.6)
Impairment loss on investment in an associate		–	(30.0)
Property selling and marketing expenses		(90.9)	(51.5)
Administrative expenses		(180.5)	(182.3)
OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION AND AMORTISATION		243.3	(251.0)
Depreciation and amortisation		(323.0)	(315.7)
OPERATING LOSS		(79.7)	(566.7)
Finance costs	5	(178.4)	(247.9)
Share of profits and losses of associates		0.9	1.5
LOSS BEFORE TAX	4	(257.2)	(813.1)
Income tax	6	12.1	5.4
LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		(245.1)	(807.7)
Attributable to:			
Equity holders of the parent		(136.4)	(558.8)
Non-controlling interests		(108.7)	(248.9)
		(245.1)	(807.7)
LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		HK(15.77) cents	HK(53.61) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
LOSS FOR THE PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	(245.1)	(807.7)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	15.7	(62.5)
Reclassification adjustments of exchange equalisation reserve upon disposal of a foreign operation	—	71.1
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	15.7	8.6
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investment designated at fair value through other comprehensive income	(79.4)	248.0
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(63.7)	256.6
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(308.8)	(551.1)
Attributable to:		
Equity holders of the parent	(188.6)	(354.3)
Non-controlling interests	(120.2)	(196.8)
	(308.8)	(551.1)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	Note	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Property, plant and equipment		9,327.5	9,289.4
Investment properties		3,401.2	3,357.7
Right-of-use assets		13,808.2	13,954.3
Properties under development		868.8	867.4
Investment in associates		484.6	480.1
Equity investments designated at fair value through other comprehensive income		1,053.4	1,132.4
Financial assets at fair value through profit or loss		674.9	777.1
Loans receivable		246.3	258.1
Debtors, deposits and prepayments		295.1	254.7
Deferred tax assets		48.2	50.1
Goodwill		261.0	261.0
Trademark		610.2	610.2
Other intangible asset		—	0.7
Total non-current assets		31,079.4	31,293.2
CURRENT ASSETS			
Properties under development		5,773.9	5,544.4
Properties held for sale		5,215.9	5,521.4
Inventories		53.9	42.1
Loans receivable		123.0	123.1
Debtors, deposits and prepayments	9	824.6	750.2
Financial assets at fair value through profit or loss		454.1	390.5
Derivative financial instruments		1.5	—
Tax recoverable		4.6	7.7
Restricted cash		180.2	122.2
Pledged time deposits and bank balances		328.5	312.4
Time deposits		708.8	231.0
Cash and bank balances		2,956.6	2,451.7
Total current assets		16,625.6	15,496.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	Notes	HK\$'million	HK\$'million
CURRENT LIABILITIES			
Creditors and accruals	10	(709.5)	(853.4)
Contract liabilities		(3,122.0)	(2,723.4)
Lease liabilities		(11.8)	(12.6)
Deposits received		(134.9)	(145.8)
Interest bearing bank borrowings	11	(9,206.9)	(9,527.6)
Other borrowings	12	(2,690.3)	(2,755.8)
Derivative financial instruments		(26.0)	(17.8)
Tax payable		(111.5)	(108.4)
Total current liabilities		(16,012.9)	(16,144.8)
NET CURRENT ASSETS/(LIABILITIES)		612.7	(648.1)
TOTAL ASSETS LESS CURRENT LIABILITIES		31,692.1	30,645.1
NON-CURRENT LIABILITIES			
Creditors and deposits received		(85.6)	(79.9)
Lease liabilities		(10.0)	(16.5)
Interest bearing bank borrowings	11	(9,555.3)	(8,030.7)
Deferred tax liabilities		(1,808.7)	(1,843.3)
Total non-current liabilities		(11,459.6)	(9,970.4)
Net assets		20,232.5	20,674.7
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		111.4	111.4
Reserves		12,888.2	12,996.4
		12,999.6	13,107.8
Perpetual securities		1,732.9	1,732.9
Non-controlling interests		5,500.0	5,834.0
Total equity		20,232.5	20,674.7

For the six months ended 30th June, 2021

28

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

For the six months ended 30th June, 2021

	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 equity (Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1st January, 2020	111.4	1,356.1	4.3	2,425.3	689.6	-	5.5	(181.1)	9,384.1	21,414.9
Loss for the period	-	-	-	-	-	-	-	-	(558.8)	(807.7)
Other comprehensive income/(loss) for the period:										
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	-	199.8	-	-	-	199.8
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(42.5)	-	(42.5)
Reclassification adjustments of exchange equalisation reserve upon disposal of a foreign operation	-	-	-	-	-	-	-	47.2	-	47.2
Total comprehensive income/(loss) for the period	-	-	-	-	-	199.8	-	4.7	(558.8)	(354.3)
Acquisition of non-controlling interests in a listed subsidiary	-	-	-	(1.0)	-	-	-	-	-	(0.1)
Disposal of non-controlling interests in a listed subsidiary	-	-	-	897.8	-	-	-	-	-	897.8
Conversion of convertible bonds and distribution of shares in a listed subsidiary	-	-	-	(229.1)	-	-	-	-	-	(229.1)
Distribution to holders of perpetual securities	-	-	-	-	-	-	-	-	(38.7)	(38.7)
Dividends and distribution to non-controlling interests of listed subsidiaries	-	-	-	-	-	-	-	-	-	(62.9)
Final 2019 dividend declared	-	-	-	-	-	-	-	-	(33.4)	(33.4)
At 30th June, 2020	111.4	1,356.1	4.3	3,099.0	689.6	199.8	5.5	(176.4)	8,753.2	21,919.2

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	Note	HK\$'million	HK\$'million
Net cash flows from operating activities		<u>265.8</u>	<u>825.5</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of subsidiaries	13	–	390.0
Purchases of equity investment designated at fair value through other comprehensive income		–	(400.0)
Purchases of financial assets at amortised cost		–	(46.5)
Purchases of financial assets at fair value through profit or loss		(11.6)	(13.1)
Proceeds from disposal of financial assets at fair value through profit or loss		104.9	14.5
Distribution from financial assets at fair value through profit or loss		17.1	48.5
Decrease in loans receivable		12.2	71.4
Additions to investment properties		(0.7)	(1.3)
Proceeds from disposal of investment properties		–	3.3
Purchases of items of property, plant and equipment		(235.2)	(613.7)
Advances to an associate		(3.6)	(6.2)
Interest received		27.6	27.8
Dividends received from unlisted investments		17.5	16.0
Decrease/(Increase) in pledged time deposits and bank balances		(16.1)	100.3
Decrease/(Increase) in restricted cash		(0.2)	3.0
Increase in time deposits with an original maturity of more than three months when acquired		(0.1)	(11.2)
Net cash flows used in investing activities		<u>(88.2)</u>	<u>(417.2)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of new bank loans		3,795.1	681.0
Repayment of bank loans		(2,580.9)	(866.8)
Decrease in other borrowings		(73.3)	–
Interest paid		(173.3)	(296.4)
Payment of loan and other costs		(49.0)	(5.4)
Principal portion of lease payments		(7.3)	(8.6)
Dividends and distribution to non-controlling interests of listed subsidiaries		(62.9)	(55.0)
Acquisition of non-controlling interests in a listed subsidiary		–	(1.1)
Distribution to holders of perpetual securities		(56.8)	(56.7)
Decrease in restricted cash		–	1.2
Investment deposits received		–	3.4
Net cash flows from/(used in) financing activities		<u>791.6</u>	<u>(604.4)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	969.2	(196.1)
Cash and cash equivalents at beginning of period	2,671.5	1,941.7
Effect of foreign exchange rate changes, net	13.4	(29.9)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>3,654.1</u>	<u>1,715.7</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	3,665.4	1,726.9
Non-pledged time deposits with an original maturity of more than three months when acquired	<u>(11.3)</u>	<u>(11.2)</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u>3,654.1</u>	<u>1,715.7</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, 2021 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The 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, 2020. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2021.

The Group had a net loss attributable to owners of the parent of HK\$136.4 million (2020 - HK\$558.8 million) for the six months ended 30th June, 2021 and net current assets of HK\$612.7 million (31st December, 2020 - net current liabilities of HK\$648.1 million) and net assets of HK\$20,232.5 million (31st December, 2020 - HK\$20,674.7 million) as at 30th June, 2021. The Group also had non-pledged time deposits and cash and bank balances of HK\$3,665.4 million as at 30th June, 2021 (31st December, 2020 - HK\$2,682.7 million) and a positive net cash flows from operating activities of HK\$265.8 million for the six months ended 30th June, 2021 (2020 - HK\$825.5 million).

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

- (i) the estimated cash flows of the Group for the next twelve months from the end of the reporting period;
- (ii) the available unutilised banking facilities of the Group; and
- (iii) the refinancing concluded by the Group subsequent to the reporting period for certain interest bearing bank borrowings that are secured by certain properties as disclosed as events after the reporting period in note 20 to the condensed consolidated financial statements.

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

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

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

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

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

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

2. Operating Segment Information

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's 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\$309.3 million and average lease rental yield ranging from 2.7% 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, 2021	2020	Six months ended 30th June, 2021	2020	Six months ended 30th June, 2021	2020	Six months ended 30th June, 2021	2020	Six months ended 30th June, 2021	2020	Six months ended 30th June, 2021	2020	Six months ended 30th June, 2021	2020	Six months ended 30th June, 2021	2020	Six months ended 30th June, 2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment revenue (note 3):																		
Sales to external customers	685.5	424.4	5.5	4.9	351.3	380.3	-	-	23.6	(19.4)	15.7	18.2	29.5	20.9	-	-	1,111.1	823.3
Intersegment sales	3.5	3.6	17.5	22.6	2.3	2.2	42.5	51.0	-	-	-	-	53.0	42.9	(118.8)	(122.3)	-	-
Total	689.0	428.0	23.0	27.5	353.6	382.5	42.5	51.0	23.6	(19.4)	15.7	18.2	82.5	63.8	(118.8)	(122.3)	1,111.1	823.3
Segment results before depreciation and amortisation	271.9	(19.1)	3.5	0.4	(7.0)	(126.5)	(6.4)	(5.8)	52.8	(135.3)	(19.6)	5.9	9.2	6.7	-	-	304.4	(272.7)
Depreciation and amortisation	(7.3)	(7.9)	(0.1)	(0.2)	(303.3)	(294.3)	-	(0.4)	-	-	(5.8)	(5.9)	(6.5)	(6.8)	-	-	(323.0)	(315.5)
Segment results	264.6	(27.0)	3.4	0.2	(310.3)	(420.8)	(6.4)	(6.2)	52.8	(135.3)	(25.4)	-	2.7	(0.1)	-	-	(18.6)	(592.2)
Unallocated interest income and unallocated non-operating and corporate gains																	16.9	90.5
Unallocated non-operating and corporate expenses																	(78.2)	(68.5)
Finance costs (other than interest on lease liabilities)																	(178.2)	(247.4)
Share of profits and losses of associates	6.7	7.7	-	-	(5.2)	(6.3)	-	-	-	-	-	-	(0.6)	0.1	-	-	0.9	1.5
Loss before tax																	(257.2)	(813.1)
Income tax																	12.1	5.4
Loss for the period before allocation between equity holders of the parent and non-controlling interests																	(245.1)	(807.7)
Attributable to:																		
Equity holders of the parent																	(136.4)	(558.8)
Non-controlling interests																	(108.7)	(248.9)
																	(245.1)	(807.7)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

3. Revenue, Other Income and Gains, net

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

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
<u>Revenue</u>		
<i>Revenue from contracts with customers</i>		
Proceeds from sale of properties	661.8	400.9
Hotel operations and management services	322.0	344.3
Construction and construction-related income	1.7	1.4
Estate management fees	3.8	3.5
Other operations	29.1	20.5
	<u>1,018.4</u>	<u>770.6</u>
<i>Revenue from other sources</i>		
Rental income:		
Hotel properties	27.8	28.2
Investment properties	22.9	29.0
Aircraft	15.7	18.2
Others	2.3	2.3
Net gain/(loss) from sale of financial assets at fair value through profit or loss	14.7	(48.6)
Gain on settlement of derivative financial instruments	–	0.2
Interest income from financial assets at fair value through profit or loss	4.6	25.5
Dividend income from listed investments	4.3	3.5
Other operations	0.4	0.4
	<u>92.7</u>	<u>58.7</u>
	<u>1,111.1</u>	<u>829.3</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, 2021				
Segments	Property development and investment (Unaudited)	Construction and building related businesses (Unaudited)	Hotel operation and management and hotel ownership (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Types of goods or services					
Construction and construction-related income	–	1.7	–	–	1.7
Sale of properties	661.8	–	–	–	661.8
Estate management fees	–	3.8	–	–	3.8
Hotel operations and management services					
Hotel operations	–	–	319.5	–	319.5
Management services	–	–	2.5	–	2.5
Other operations	–	–	–	29.1	29.1
Total revenue from contracts with customers	661.8	5.5	322.0	29.1	1,018.4
Geographical markets					
Hong Kong	652.3	5.5	319.7	29.1	1,006.6
Mainland China	9.5	–	2.3	–	11.8
Total revenue from contracts with customers	661.8	5.5	322.0	29.1	1,018.4
Timing of revenue recognition					
At a point in time	661.8	0.1	90.8	8.5	761.2
Over time	–	5.4	231.2	20.6	257.2
Total revenue from contracts with customers	661.8	5.5	322.0	29.1	1,018.4

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30th June, 2020					
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	–	1.4	–	–	1.4
Sale of properties	400.9	–	–	–	400.9
Estate management fees	–	3.5	–	–	3.5
Hotel operations and management services					
Hotel operations	–	–	342.5	–	342.5
Management services	–	–	1.8	–	1.8
Other operations	–	–	–	20.5	20.5
Total revenue from contracts with customers	<u>400.9</u>	<u>4.9</u>	<u>344.3</u>	<u>20.5</u>	<u>770.6</u>
Geographical markets					
Hong Kong	371.0	4.9	342.5	20.5	738.9
Mainland China	29.9	–	1.8	–	31.7
Total revenue from contracts with customers	<u>400.9</u>	<u>4.9</u>	<u>344.3</u>	<u>20.5</u>	<u>770.6</u>
Timing of revenue recognition					
At a point in time	400.9	0.1	105.1	10.7	516.8
Over time	–	4.8	239.2	9.8	253.8
Total revenue from contracts with customers	<u>400.9</u>	<u>4.9</u>	<u>344.3</u>	<u>20.5</u>	<u>770.6</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:

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

	For the six months ended 30th June, 2020				
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	400.9	4.9	344.3	20.5	770.6
Intersegment sales	–	22.6	–	42.9	65.5
	400.9	27.5	344.3	63.4	836.1
Intersegment adjustments and eliminations	–	(22.6)	–	(42.9)	(65.5)
Total revenue from contracts with customers	400.9	4.9	344.3	20.5	770.6

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
Other income and gains, net		
Bank interest income	7.3	21.4
Other interest income	11.2	11.1
Dividend income from unlisted investments	17.5	16.0
Loss on disposal of investment properties	–	(0.7)
Gain/(Loss) on disposal of unlisted investments included in financial assets at fair value through profit or loss	(12.9)	0.3
Others	5.4	1.9
	<u>28.5</u>	<u>50.0</u>

4. Loss Before Tax

The Group's loss before tax includes the following items:

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
Profit on disposal of properties	<u>353.2</u>	<u>161.7</u>
Depreciation of property, plant and equipment	175.6	165.4
Depreciation of right-of-use assets	146.7	149.6
Amortisation of intangible asset	0.7	0.7
	<u>323.0</u>	<u>315.7</u>
Government subsidies* (included in cost of sales, other income and gains, net and administrative expenses)	<u>10.5</u>	<u>27.4</u>

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

5. Finance Costs

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans	114.2	239.3
Interest on other borrowings	53.7	53.6
Interest expenses arising from revenue contracts	58.3	35.2
Interest on lease liabilities	0.2	0.5
Amortisation of debt establishment costs	37.6	21.9
Total interest expenses on financial liabilities not at fair value through profit or loss	264.0	350.5
Other loan costs	5.5	5.1
	269.5	355.6
Less: Finance costs capitalised	(91.1)	(107.7)
	178.4	247.9

6. Income Tax

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
Current – Hong Kong		
Charge for the period	18.8	26.2
Underprovision/(Overprovision) in prior years	(0.1)	1.2
Current – Overseas		
Charge for the period	1.1	5.3
PRC land appreciation tax	0.2	0.6
Deferred	(32.1)	(38.7)
Total tax credit for the period	(12.1)	(5.4)

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

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

The share of tax attributable to associates amounting to HK\$1.1 million (2020 - HK\$1.5 million) is included in "Share of profits and losses of associates" in the condensed consolidated statement of profit or loss.

7. Dividend

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

8. Loss Per Ordinary Share Attributable to Equity Holders of the Parent

(a) Basic loss per ordinary share

The calculation of the basic loss per ordinary share for the period ended 30th June, 2021 is based on the loss for the period attributable to equity holders of the parent of HK\$136.4 million (2020 - HK\$558.8 million), adjusted for the share of distribution related to perpetual securities of the RHIHL Group of HK\$39.3 million (2020 - HK\$38.7 million), and on the weighted average of 1,114.6 million (2020 - 1,114.6 million) ordinary shares of the Company in issue during the period.

(b) Diluted loss per ordinary share

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

9. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$42.8 million (31st December, 2020 - HK\$38.7 million) representing the trade debtors of the Group. The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	31.7	29.3
4 to 6 months	5.8	4.5
7 to 12 months	9.1	7.0
Over 1 year	20.8	18.1
	<hr/>	<hr/>
	67.4	58.9
Impairment	(24.6)	(20.2)
	<hr/>	<hr/>
	42.8	38.7
	<hr/>	<hr/>

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

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

Included in the balance are amounts due from a fellow subsidiary and a related company of HK\$1.0 million (31st December, 2020 - HK\$3.4 million) and HK\$1.2 million (31st December, 2020 - 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\$44.3 million (31st December, 2020 - HK\$32.2 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\$38.7 million (31st December, 2020 - HK\$33.2 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	37.1	33.2
4 to 6 months	1.6	—
	<u>38.7</u>	<u>33.2</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 an associate of HK\$4.8 million (31st December, 2020 - HK\$3.3 million) and HK\$2.1 million (31st December, 2020 - HK\$0.2 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, 2021 (Unaudited)		31st December, 2020 (Audited)	
	Maturity	HK\$'million	Maturity	HK\$'million
Current				
Bank loans – secured	2021 - 2022	9,206.9	2021	9,527.6
Non-current				
Bank loans – secured	2022 - 2024	9,555.3	2022 - 2024	8,030.7
		<u>18,762.2</u>		<u>17,558.3</u>

	30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Analysed into:		
Bank loans repayable:		
Within one year	9,206.9	9,527.6
In the second year	4,860.9	2,525.3
In the third to fifth years, inclusive	4,694.4	5,505.4
	<u>18,762.2</u>	<u>17,558.3</u>

On 12th September, 2016, 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\$1,000.0 million (the "2016 IH Facilities"), for a term of five years to September 2021. The 2016 IH Facilities are secured by four of the five initial hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. As at 30th June, 2021, the 2016 IH Facilities had an outstanding amount of HK\$4,515.0 million, representing the full amount of the term loan facility and the revolving loan portion of HK\$15.0 million.

On 8th March, 2018, Regal REIT group, through its wholly owned subsidiary, Ricobem Limited, arranged a bilateral term loan facility of HK\$3,000.0 million (the "2018 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. This facility has a term of five years to March 2023. As at 30th June, 2021, the outstanding amount of the 2018 RKH Facility was HK\$3,000.0 million, representing the full amount of the term loan facility.

On 19th July, 2019, Regal REIT group, through its wholly owned subsidiary, Sonnix Limited, entered into a facility agreement for a term loan facility of HK\$440.0 million (the "2019 WC Facility"), for a term of five years to July 2024. The 2019 WC Facility is secured by the iclub Wan Chai Hotel. On 22nd June, 2020, the 2019 WC Facility amount was revised to HK\$405.0 million for the purpose of compliance with an undertaking condition in the facility agreement. As at 30th June, 2021, the facility and the outstanding amount on the 2019 WC Facility was HK\$405.0 million.

On 19th October, 2018, Regal REIT group, through its wholly owned subsidiary, Tristan Limited, arranged a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million (the "2018 SW Facilities"), secured by the iclub Sheung Wan Hotel. The 2018 SW Facilities have a term of five years to October 2023. As at 30th June, 2021, the utilised amount of the 2018 SW Facilities was HK\$790.0 million, representing the full amount of the term loan facility and a revolving loan amount of HK\$158.0 million.

On 29th November, 2018, Regal REIT group, through its wholly owned subsidiary, Wise Decade Investments Limited, arranged another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (subsequently reduced to HK\$44.0 million in September 2020) (the "2018 FH Facilities"), secured by the iclub Fortress Hill Hotel. The 2018 FH Facilities have a term of five years to November 2023. As at 30th June, 2021, the outstanding amount of the 2018 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

On 4th September, 2017, Regal REIT group, through its wholly owned subsidiary, Land Crown International Limited, arranged a term loan facility of HK\$748.0 million (the "2017 MTW Facility"), secured by the iclub Ma Tau Wai Hotel. The 2017 MTW Facility has a term of three years to September 2020. On 27th August, 2020, a supplement to 2017 MTW Facility agreement was entered into, with principal loan amount amended and restated at HK\$621.0 million (the "2020 MTW Facility"), for a new term of three years to September 2023. As at 30th June, 2021, the outstanding amount of the 2020 MTW Facility was HK\$621.0 million, representing the full amount of the term loan facility.

As at 30th June, 2021, the outstanding loan facilities of Regal REIT group bore interest at the Hong Kong Interbank Offered Rates ("HIBOR") plus an interest margin ranging from 0.92% per annum to 1.2% per annum (31st December, 2020 - ranging from 0.92% per annum to 1.2% per annum).

Bank borrowings under the 2016 IH Facilities, the 2018 RKH Facility, the 2019 WC Facility, the 2018 SW Facilities, the 2018 FH Facilities and the 2020 MTW Facility are guaranteed by Regal REIT and/or certain individual companies of the Regal REIT group on a joint and several basis.

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

As at 30th June, 2021, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.95% per annum to 2.75% per annum except for a bank loan of HK\$12.2 million, which bore interest at Euro Interbank Offered Rates plus an interest margin of 2.5% per annum and bank loans of HK\$25.4 million, which bore interest at the bank's cost of fund plus an interest margin of 0.75% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$37.6 million which were denominated in Euro.

As at 31st December, 2020, the Group's other bank borrowings bore interest at HIBOR plus an interest margin ranging from 0.95% per annum to 1.875% per annum except for a bank loan of HK\$7.0 million, which bore interest at the Euro Interbank Offered Rate plus an interest margin of 2.5% per annum and bank loans of HK\$92.7 million, which bore interest at the bank's cost of fund plus an interest margin ranging from 0.75% per annum to 0.8% per annum. All interest bearing bank borrowings were denominated in Hong Kong dollars except for bank loans of HK\$57.0 million which were denominated in United States dollars and bank loans of HK\$33.0 million which were denominated in Euro.

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 16 to the condensed consolidated financial statements.

12. Other Borrowings

	30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Unsecured notes	2,690.3	2,707.0
Other borrowing	—	48.8
	<u>2,690.3</u>	<u>2,755.8</u>

On 5th October, 2012, RH International Finance Limited (the "MTN Issuer"), a wholly owned subsidiary of RHIHL, established a US\$1,000 million medium term note programme guaranteed by RHIHL (the "MTN Programme").

On 20th July, 2016, the MTN Issuer issued under the MTN Programme a series of United States dollar denominated senior unsecured 5-year term notes in an aggregate nominal principal amount of US\$350.0 million at a coupon interest rate of 3.875% per annum. The notes were issued at a discount at 99.663% of the principal amount.

The borrowing other than the notes issued under the MTN Programme was unsecured, bore interest at 6% per annum and was fully repaid during the period ended 30th June, 2021.

13. Disposal of Subsidiaries

On 31st December, 2019, Cosmopolitan International Holdings Limited ("Cosmopolitan") and its subsidiaries (the "Cosmopolitan Group") entered into a sale and purchase agreement with an independent purchaser in relation to the disposal of the entire equity interest in Cosmopolitan International Development Limited and its subsidiaries ("CIDL Disposal") at a consideration of HK\$400 million. On the same date, the Cosmopolitan Group entered into a share acquisition agreement ("Share Acquisition Agreement"), the completion of which was conditional upon the completion of CIDL Disposal. The CIDL Disposal was completed on 31st March, 2020 and the proceeds from CIDL Disposal were applied by the Cosmopolitan Group to purchase 6,069,000 Class A ordinary shares of AMTD International Inc. ("Acquisition") pursuant to the Share Acquisition Agreement on 8th April, 2020. In the opinion of the directors of Cosmopolitan, the CIDL Disposal and the Acquisition were accounted for as one single transaction with multiple arrangements and the fair value of the equity investment acquired was considered to be the consideration of CIDL Disposal.

	HK\$ million
Net assets disposed of:	
Loans receivable	185.4
Debtors, deposits and prepayments	224.7
Creditors and accruals	(3.5)
Tax payable	(18.8)
	<hr/> 387.8
Exchange equalisation reserve released	<hr/> 71.1
	458.9
Gain on disposal of subsidiaries	<hr/> 68.9
	<hr/> <hr/> 527.8
Satisfied by:	
Equity investment designated at fair value through other comprehensive income	<hr/> 527.8

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK\$ million
Cash consideration	400.0
Less: Deposits received	<hr/> (10.0)
Inflow of cash and cash equivalents included in cash flows from investing activities	<hr/> <hr/> 390.0

14. Notes to the Condensed Consolidated Statement of Cash Flows

Major non-cash transactions

The Group had the following major non-cash transactions for the period ended 30th June, 2020:

- (i) On 10th January, 2020, the Group completed the disposal of 220,000,000 ordinary shares of Cosmopolitan and the acquisition of 5,674,000 ordinary shares of Class A ordinary shares of AMTD International Inc. (the "AMTD Shares") pursuant to agreements entered on 31st December, 2019 with independent third parties. In the opinion of the Directors, since the acquisition of AMTD Shares and disposal of ordinary shares of Cosmopolitan were part of the same share transaction, it is appropriate to account for both transactions as if they were one single transaction, and accordingly regarded as a non-cash transaction. The AMTD Shares was recognised as an equity investment designated at fair value through other comprehensive income at a fair value of HK\$374.6 million with a corresponding increase in non-controlling interests and capital reserve in equity; and
- (ii) On 24th January, 2020, the Group entered into agreements with independent third parties for the disposal of 368,320,000 ordinary shares of Cosmopolitan and the acquisition of 9,500,000 AMTD Shares. The transaction was completed on 29th April, 2020 and the AMTD Shares was recognised as an equity investment designated at fair value through other comprehensive income at a fair value of HK\$834.9 million with a corresponding increase in non-controlling interests and capital reserve in equity.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

15. 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, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
A wholly owned subsidiary of the listed ultimate holding company:		
Management fees	33.2	32.3
Associates:		
Advertising and promotion fees (including cost reimbursements)	4.9	1.6
Interest income	2.3	5.1

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, 2020.

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

	30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Loans to an associate	444.6	441.0
Due from associates	6.1	6.7
Due from a fellow subsidiary	1.0	3.4
Due from a related company	1.2	1.2
Due to fellow subsidiaries	(4.8)	(3.3)
Due to an associate	(2.1)	(0.2)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

	Six months ended 30th June, 2021 (Unaudited)	Six months ended 30th June, 2020 (Unaudited)
	HK\$'million	HK\$'million
Short term employee benefits	23.0	21.2
Staff retirement scheme contributions	1.6	1.4
Total compensation paid to key management personnel	24.6	22.6

16. Pledge of Assets

As at 30th June, 2021, 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, derivative financial instruments, time deposits and bank balances in the total amount of HK\$32,736.0 million (31st December, 2020 - HK\$33,043.8 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, 2021, certain ordinary shares in a listed subsidiary with a market value of HK\$360.2 million (31st December, 2020 - HK\$237.8 million) were also pledged to secure general banking facilities granted to the Group.

17. Contingent Liabilities

As at 30th June, 2021, the Group had contingent liabilities for corporate guarantees provided in respect of a banking facility granted to an associate in the amount of HK\$357.2 million (31st December, 2020 - HK\$357.2 million) which was fully utilised. In addition, corporate guarantees were given to certain banks by the Group for demand and performance bonds issued by the banks in relation to certain property development projects amounting to approximately HK\$22.9 million (31st December, 2020 - HK\$22.9 million) as at 30th June, 2021.

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 RMB689.1 million (HK\$827.6 million) (31st December, 2020 - RMB571.5 million (HK\$680.9 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.

18. Commitments

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

	30th June, 2021 (Unaudited)	31st December, 2020 (Audited)
	HK\$'million	HK\$'million
Contracted, but not provided for:		
Property development projects	<u>1,388.8</u>	<u>1,420.1</u>

19. 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, 2021

	Fair value measurement using			Total (Unaudited)
	Quoted prices in active markets (Level 1) (Unaudited)	Significant observable inputs (Level 2) (Unaudited)	Significant unobservable inputs (Level 3) (Unaudited)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Equity investments designated at fair value through other comprehensive income	1,007.7	–	45.7	1,053.4
Financial assets at fair value through profit or loss:				
Listed equity investments	284.9	–	–	284.9
Listed debt investments	–	133.1	–	133.1
Unlisted equity investments	–	–	140.2	140.2
Unlisted fund investments	–	–	565.5	565.5
Unlisted debt investments	–	–	5.3	5.3
Derivative financial instruments	–	1.5	–	1.5
	<u>1,292.6</u>	<u>134.6</u>	<u>756.7</u>	<u>2,183.9</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Assets measured at fair value as at 31st December, 2020

	Fair value measurement using			Total (Audited)
	Quoted prices in active markets (Level 1) (Audited)	Significant observable inputs (Level 2) (Audited)	Significant unobservable inputs (Level 3) (Audited)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Equity investments designated at fair value through other comprehensive income	1,087.0	—	45.4	1,132.4
Financial assets at fair value through profit or loss:				
Listed equity investments	224.3	—	—	224.3
Listed debt investments	—	130.5	—	130.5
Unlisted equity investments	—	—	169.8	169.8
Unlisted fund investments	—	—	637.8	637.8
Unlisted debt investments	—	—	5.2	5.2
	<u>1,311.3</u>	<u>130.5</u>	<u>858.2</u>	<u>2,300.0</u>

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

	2021 (Unaudited)	2020 (Audited)
	HK\$'million	HK\$'million
At 1st January	858.2	836.6
Purchases	11.6	81.5
Distributions	(17.1)	(57.2)
Total gains/(losses) recognised in profit or loss	(3.9)	55.3
Disposals	(92.5)	(58.0)
Exchange realignment	0.4	—
At 30th June/31st December	<u>756.7</u>	<u>858.2</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Liabilities measured at fair value as at 30th June, 2021

	Fair value measurement using			Total (Unaudited)
	Quoted prices in active markets (Level 1) (Unaudited)	Significant observable inputs (Level 2) (Unaudited)	Significant unobservable inputs (Level 3) (Unaudited)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Derivative financial instruments	–	26.0	–	26.0

Liabilities measured at fair value as at 31st December, 2020

	Fair value measurement using			Total (Audited)
	Quoted prices in active markets (Level 1) (Audited)	Significant observable inputs (Level 2) (Audited)	Significant unobservable inputs (Level 3) (Audited)	
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Derivative financial instruments	–	17.8	–	17.8

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (year ended 31st December, 2020 - Nil).

Valuation techniques

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

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

The fair values of unlisted equity investments, unlisted debt investments and certain unlisted fund investments are determined by reference to recent transaction prices of the investments or carried at valuations provided by financial institutions or related administrators.

The fair values of certain unlisted fund investments are assessed to approximate the net asset values indicated on the net asset value statements issued by the investment fund managers, which take into consideration the fair values of the underlying assets held under the investments. For unlisted investment funds classified under Level 3 of the fair value measurement hierarchy, when the net asset value increases/decreases, the fair value will increase/decrease accordingly.

Derivative financial instruments, including interest rate swap, foreign currency swaps and foreign currency forward contracts, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, interest rates and exchange rates.

20. Events After the Reporting Period

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

21. 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 24th August, 2021.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2021, 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, 2021)
				Personal interests	Corporate interests	Family/Other interests	
1.	The Company	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	110,887,396	1,769,164,691 (Note a)	380,683	1,880,432,770 (58.69%)
		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, 2021)
				Personal interests	Corporate interests	Family/Other interests	
3.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		Miss Lo Po Man	Ordinary (issued)	300,000	269,169 (Note d)	–	569,169 (0.06%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
4.	Cosmopolitan International Holdings Limited ("Cosmopolitan")	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	4,194,426,144 (Note e)	–	4,194,426,144
			(ii) (unissued)	–	3,545,487,356 (Note f)	–	3,545,487,356
						Total:	7,739,913,500 (131.35%)
			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) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").
- (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 58.68% 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 58.68% shareholding interests. The interests in 622,433,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 62.28% shareholding interests. The Company held 69.25% shareholding interests in RHIHL.
- (d) The interests in 269,169 issued ordinary shares of RHIHL were held through a company wholly owned by Miss Lo Po Man.
- (e) The interests in 2,595,901,480 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings Limited ("P&R Holdings"), which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The interests in the other 1,065,191,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of RHIHL. The interests in the other 533,333,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of the Company. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 58.68% shareholding interests in CCIHL.
- (f) The interests in 3,545,487,356 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by the Company and RHIHL through their respective wholly owned subsidiaries. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 58.68% 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 1,250,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds in a principal amount of HK\$500,000,000 issued by a wholly owned subsidiary of Cosmopolitan. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

OTHER INFORMATION (Cont'd)

- (g) The interests in 2,439,613,739 issued units of Regal REIT were held through wholly owned subsidiaries of RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. The Company, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 58.68% shareholding interests in CCIHL.
- (h) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 58.68% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 30th June, 2021, 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, 2021, 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, 2021
YSL International Holdings Limited ("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%
Cleerview Investments Limited ("Cleerview") (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 50.89% 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, 2021, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

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

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

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, 2020 is set out below:

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

Independent Non-Executive Director:

- | | |
|-----------------------------------|---|
| Hon Abraham Shek Lai Him, GBS, JP | <ul style="list-style-type: none">Retired as an independent non-executive director of SJM Holdings Limited, a company listed on the Stock Exchange, with effect from the conclusion of its annual general meeting held on 28th May, 2021.Appointed as an independent non-executive director of International Alliance Financial Leasing Co., Ltd., a company listed on the Stock Exchange, with effect from 28th July, 2021. |
| Mr. Wong Chi Keung | <ul style="list-style-type: none">Appointed as an independent non-executive director of Guoan International Limited, a company listed on the Stock Exchange, with effect from 13th April, 2021 and subsequently resigned with effect from 9th June, 2021. |

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, 2021, except that:

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

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, 2021.

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

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

REVIEW OF RESULTS

The 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*)

Hon 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, 2021, 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 of Paliburg Holdings Limited (the “Company”) and its subsidiaries set out on pages 24 to 56, which comprises the condensed consolidated statement of financial position as at 30th June, 2021 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

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

24th August, 2021

www.paliburg.com.hk