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

# ANNOUNCEMENT OF 2023 GROUP FINAL RESULTS

## FINANCIAL AND BUSINESS HIGHLIGHTS

| | Year 2023 HK$'M | Year 2022 HK$'M | % Change |
|---|---|---|---|
| **Revenue** | **1,792.2** | 1,831.1 | **-2.1%** |
| **Gross profit** | **652.3** | 857.8 | **-24.0%** |
| **Operating profit/(loss) before depreciation, finance costs and tax** | **(181.7)** | 636.0 | **N/A** |
| **Profit/(Loss) from core business operations⋆** | **(597.7)** | 268.1 | **N/A** |
| **Loss for the year attributable to equity holders of the parent** | **(1,791.9)** | (358.3) | **+400.1%** |
| **Basic loss per ordinary share attributable to equity holders of the parent** | **HK$(2.12)** | HK$(0.53) | **+300.0%** |

| | As at 31st December, 2023 (Unaudited) | 2022 (Unaudited) | |
|---|---|---|---|
| **Net asset value per ordinary share attributable to equity holders of the parent** | | | |
| **Book** | **HK$10.23** | HK$12.60 | **-18.8%** |
| **Adjusted⋆⋆** | **HK$21.03** | HK$22.61 | **-7.0%** |

⋆ compiled on the basis that the fair value changes related to investment properties and financial assets and the depreciation charges, all being non-cash items, are excluded and after non-controlling interests

⋆⋆ compiled, for the purpose of reference, on an adjusted basis to restate the Group's hotel property portfolio in Hong Kong at its market value at 31st December, 2022 and 2023, respectively, with the relevant deferred tax liabilities added back

- **For the year ended 31st December, 2023, the Group recorded a consolidated loss attributable to shareholders of HK$1,791.9 million, as compared to a loss of HK$358.3 million for the preceding financial year.**

- **The Group's hotel business continued to operate profitably and generated satisfactory revenue. Gross profit from operations for the year under review amounted to HK$652.3 million (2022 – HK$857.8 million).**

- **The increased loss incurred by the Group for the year was mainly due to the substantial increase in finance costs on account of the rapid hike in the interest rates in Hong Kong, especially in the second half of 2023, the fair value losses on financial assets as well as the depreciation charges on the Group's hotel properties.**

- **Most of the fair value losses on financial assets incurred for the year was related to the Group's investments in Cosmopolitan International Holdings Limited, a listed fellow subsidiary of the Company that primarily engages in real estate development businesses in China and other investments. The Group has held significant investments in Cosmopolitan since 2015 as part of its core strategic asset portfolio.**

- **The fair value loss of HK$770.9 million on the Group's investment holdings in Cosmopolitan included in the results under review merely reflected the effects of the downward fluctuation in the market price of the Cosmopolitan shares as at the last balance sheet date and has no actual impact on the Group's cash flow.**

- **Total depreciation charges on the Group's hotel portfolio in Hong Kong for the year amounted to HK$593.6 million, including an amount of HK$123.4 million on the new Regala Skycity Hotel. Although these depreciation charges do not have any immediate impact on the Group's cash flow, they have nevertheless adversely affected the Group's financial results.**

- **The Regala Skycity Hotel, the second hotel at the Hong Kong International Airport developed by the Group, continues to operate steadily. The Group is confident that, as the number of mega events at the Asia World Expo increases, the 11 Skies compound gradually opens and the second airport terminal becoming operational, the Regala Skycity Hotel will be able to deliver strong recurring revenues in the years to come.**

- **Apart from the Regala Skycity Hotel, the Group owns through Regal Real Estate Investment Trust nine hotels operating in Hong Kong, including five Regal Hotels and four other hotels that are operating under the iclub brand.**

- **Due to the different operating modes and revenue structures of the three Regal Hotels and two iclub Hotels when they were operating under various government hotel quarantine schemes in 2022, the aggregate net operating income of those five hotels for 2023 was as a whole still below the level attained in 2022, despite the continuing improvements that have been achieved in their operating performance since the lifting of travel restrictions early last year.**

- **However, for the other three hotels comprising two Regal Hotels and one iclub Hotel also leased from Regal REIT, which have all along been operating normal hotel business, their business operations in 2023 have strongly rebounded, recording significant increases in their aggregate net property income of about 221.7% over the level attained in 2022.**

- **The Group has a 50% joint venture interest in P&R Holdings Limited which owns, apart from other developments and properties, the Mount Regalia in Kau To, Sha Tin. The Mount Regalia is a major luxury residential development undertaken by P&R. The development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. During the year, a total of four houses (including one house that is on lease with an option for the lessee to purchase) and eight apartment units were sold or taken as sold and the attributable profits therefrom reflected in the Group's results under review. P&R still owns 3 houses and 83 apartment units in Mount Regalia, which command significant value. P&R will closely monitor the market environment and will continue to dispose of these remaining units on a gradual basis.**

- **The Queens at Queen's Road West is a commercial/residential building developed by a wholly owned subsidiary of the Group. It has a total of 130 residential units with club house facilities and commercial accommodations. Due to the changed market environment and the rising demand for leased apartments in the area, some of its residential units have been leased out as serviced apartments on short tenure, yielding relatively attractive rentals. Depending on the market conditions, the Group will consider selling the unsold residential and commercial units on units sale or en bloc basis.**

- **Apart from the investment and development properties held in overseas, the Group owns 9 garden houses in Regalia Bay in Stanley. Most recently, the Group entered into an agreement for the sale of a garden house in Regalia Bay at a satisfactory price. Some of the other 8 houses retained in Regalia Bay will continue to be disposed of on appropriate terms.**

- **In late February 2024, the Group entered into a letter of intent for the sale of the two aircraft on lease to a major international airline operator in Europe to a third party purchaser for an aggregate sale consideration of US$44.5 million. The formal sale and purchase agreement is anticipated to be entered into by the parties shortly, with completion scheduled to take place around the end of April 2024. The profit to be derived from the sale of these two aircraft, when consummated, will be reflected in the results of the Group in the current financial year.**

- **The Group is implementing progressively the planned disposals of part of its non-core assets, with a view to reinforcing its liquidity resources and overall financial strength.**

- **The Group still owns a strong asset portfolio with principal focus in hotels and properties. The Directors are confident that as the overall business environment continues to revive, the financial performance of the Group will gradually improve.**

## FINANCIAL RESULTS

For the year ended 31st December, 2023, the Group recorded a consolidated loss attributable to shareholders of HK$1,791.9 million, as compared to a loss of HK$358.3 million for the preceding financial year.

As explained in the profit warning announcement published by the Company on 20th March, 2024, the Group's hotel business continued to operate profitably and generated satisfactory revenue. Gross profit from operations of the Group for the year under review amounted to HK$652.3 million (2022 – HK$857.8 million). The increased loss incurred by the Group for the year was mainly due to the substantial increase in finance costs on account of the rapid hike in the interest rates in Hong Kong, especially in the second half of 2023, the fair value losses on financial assets as well as the depreciation charges on the Group's hotel properties.

Most of the fair value losses on financial assets incurred for the year was related to the Group's investments in Cosmopolitan International Holdings Limited, a listed fellow subsidiary of the Company that primarily engages in real estate development businesses in China and other investments. The Group has held significant investments in Cosmopolitan since 2015 as part of its core strategic asset portfolio. The related holdings in the shares of Cosmopolitan have all along been held as financial assets at fair value through profit or loss and the fluctuations in their fair value reflected in the Group's consolidated statements of profit or loss in prior years. Due to the decline in the market price of the Cosmopolitan shares as at 31st December, 2023, as compared to that prevailing as of the preceding year end date, a fair value loss in the amount of HK$770.9 million on the Group's investment holdings in Cosmopolitan (comprising ordinary shares and bonus convertible notes) was included in the results of the Group for the year under review. This fair value loss merely reflected the effects of the downward fluctuation in the market price of the Cosmopolitan shares as at the last balance sheet date and has no actual impact on the Group's cash flow.

As mentioned before, the Group's hotel properties in Hong Kong are all owned and self-operated by subsidiaries of the Company and are, therefore, required to be subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on the Group's hotel portfolio in Hong Kong for the year under review amounted to HK$593.6 million, including an amount of HK$123.4 million on the new Regala Skycity Hotel. Although these depreciation charges do not have any immediate impact on the Group's cash flow, they have nevertheless adversely affected the Group's financial results.

Based on their independent professional market valuations as at 31st December, 2023, the market values of the Group's hotel properties in Hong Kong had a surplus of HK$12,382.3 million over their carrying values, which were subject to accumulated depreciation charges, as at the last balance sheet date. For the purpose of reference, an Adjusted Net Assets Statement is presented in the section headed "Management Discussion and Analysis" in this announcement, which illustrated that, if all such hotel properties were to be stated in the Group's financial statements at their market valuations as at 31st December, 2023, the underlying adjusted net asset value of the Company would amount to HK$21.03 per share on the basis therein stated.

## BUSINESS OVERVIEW

### HOTELS
### MARKET OVERVIEW

After a strong initial rebound from the depths of the COVID pandemic, the pace of recovery in the global economy in 2023 has overall moderated. Economic activity was still falling short of pre-pandemic projections, especially in the emerging market and developing economies. Aggregate economic growth in advanced economies was resilient for most of last year, slowing less than previously expected, which largely reflected the recovering status in the United States where consumer spending has remained fairly robust.

In spite of some domestic challenges and external pressures, China was able to accomplish the major targets set for 2023. Growth in its Gross Domestic Product (GDP) for the year picked up by 5.2%, which was in line with the official growth target and exceeded the 3% growth attained in 2022. In Hong Kong, the overall economic conditions have been very challenging under the high interest rates environment. The city recorded a 3.2% growth in its GDP in 2023, which was 0.8 percentage point below the low end of the Government's growth forecast in August 2023.

Following the removal of all travel restrictions early last year, Hong Kong received a total of about 34 million visitors in 2023. Though this reflected an increase of 55 times year-on-year due to the low comparative base, it only represented about 55% of the aggregate visitor arrivals in the pre-COVID times. Visitors from China remained the most important market segment in the local tourism sector.

According to a hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories in Hong Kong in 2023 was 82.0%, an increase of 16.0 percentage points from 2022, while the industry-wide average room rate improved by 30.7%, with the average Revenue per Available Room (RevPAR) having an overall increase of 62.3% year-on-year.

## HOTEL OWNERSHIP

The Regala Skycity Hotel, the second hotel at the Hong Kong International Airport developed by the Group, continues to operate steadily but its operating results for the year were still well below the level attained in 2022 when it was operating as a quarantine hotel for most part of that year.

The Regala Skycity Hotel has over 1,200 well decorated hotel rooms and suites, complemented with a full range of food and beverage and conference facilities catering to Meeting, Incentives, Conference and Exhibitions (MICE) businesses, with direct linkage to the Asia World Expo and the 11 Skies compound, as well as the second airport terminal soon to be completed. The Group is confident that, as the number of mega events at the Asia World Expo increases, the 11 Skies compound gradually opens and the second airport terminal becoming operational, the Regala Skycity Hotel will be able to deliver strong recurring revenues in the years to come.

The Group also owns a 186-room hotel in Barcelona, Spain which is leased to a third-party operator and generating satisfactory rental revenue.

Further details on the Regala Skycity Hotel and the Barcelona hotel are contained in the section headed “Management Discussion and Analysis” in this announcement.

## REGAL REAL ESTATE INVESTMENT TRUST

As at 31st December, 2023, the Group held approximately 74.9% of the total outstanding issued units of Regal REIT, while Regal Portfolio Management Limited, a wholly owned subsidiary of the Group, acts as the REIT Manager.

For the year ended 31st December, 2023, Regal REIT recorded a consolidated profit before distributions to unitholders of HK$265.7 million, as compared to a profit of HK$929.9 million for the 2022 financial year. The profit recorded for the year under review was principally attributable to the gain of HK$366.9 million arising from the increase in the fair value of Regal

REIT's investment property portfolio, as compared to its appraised value as at 31st December, 2022, while for the 2022 financial year, a fair value gain of HK$754.7 million was recorded. However, if the effects of these fair value changes are excluded, Regal REIT would report a core operating loss of HK$101.2 million for the year under review, as compared to a core operating profit of HK$175.2 million for the preceding year. The core operating loss incurred was mainly due to the substantial increase in financial expenses, which amounted to HK$611.2 million (2022 – HK$281.8 million), as the Hong Kong Interbank Offered Rates (HIBOR), on which the borrowing costs of Regal REIT's bank loans were based, had risen rapidly in the second half of 2023. Consequently, Regal REIT recorded an adjusted loss of HK$127.6 million for the year under review, while there was a total distributable income of HK$204.8 million in 2022.

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

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and has been self-operated by Regal REIT since 2011. The net property income, including the lease rentals from the non-hotel portions, of this property for the year has increased by 88.6% as compared to 2022.

## HOTEL OPERATIONS

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

As mentioned in the Chairman's Statement in the Interim Report 2023 of the Company, due to the different operating modes and revenue structures of the three Regal Hotels (namely, the Regal Airport Hotel, Regal Kowloon Hotel and Regal Oriental Hotel) and the two iclub Hotels (namely, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel) when they were operating under various government hotel quarantine schemes in 2022, the aggregate net operating income of these five hotels for 2023 was as a whole still below the level attained in 2022, despite the continuing improvements that have been achieved in their operating performance since the lifting of travel restrictions early last year. However, for the other three hotels also leased from Regal REIT which have all along been operating normal hotel business (namely, the Regal Hongkong Hotel, Regal Riverside Hotel and iclub Sheung Wan Hotel), their business operations in 2023 have strongly rebounded, recording significant increases in their aggregate net property income of about 221.7% over the level attained in 2022.

The market rental reviews for the five Regal Hotels for 2024 were completed in September 2023 and their aggregate annual base rent for 2024 was determined to be HK$544.0 million, which is approximately 13.3%, or HK$64.0 million, above the aggregate base rent for 2023. Variable rent will continue to be based on 50% sharing of the excess of the aggregate net property income of these Regal Hotels over their aggregate base rent.

As also determined by the independent professional property valuer under the terms of their leases, the aggregate base rent for the three iclub Hotels for 2024 was fixed at HK$118.0 million, which is approximately 28.3%, or HK$26.0 million, above the aggregate base rent in 2023, with variable rent similarly to be based on 50% sharing of the excess of the net property income over the base rent of each individual hotel.

Following the approval by the independent unitholders of Regal REIT in January 2024, the existing lease agreements and lease guarantees for the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel have been extended for another ten years to 31st December, 2034, with the market rental packages for the extended terms continuing to be determined annually by a jointly appointed independent professional property valuer.

In December 2023, the Company and Cosmopolitan, through their respective wholly-owned subsidiaries, entered into a Memorandum of Understanding (MOU) with the Ministry of Investment of Saudi Arabia to jointly explore a strategic partnership in hotel development and management. The MOU aims to establish a non-exclusive framework for cooperation and collaboration between the parties to promote tourism and hospitality projects in Mainland China, the Kingdom of Saudi Arabia, and Hong Kong, with the objective to acquire, own, develop and manage a network of sustainable hotels, service apartments and centers of innovation under the “iclub” brand of Regal. Shareholders will be kept further informed of the progress in this respect.

Further details on the hotel properties of the Group are contained in the section headed "Management Discussion and Analysis" in this announcement.

## HOTEL MANAGEMENT

Apart from the Regala Skycity Hotel, the five Regal Hotels and four iclub Hotels that are owned by Regal REIT are all managed by Regal Hotels International Limited (RHI), the wholly owned management arm of the Group. RHI is also the hotel manager managing the iclub Mong Kok Hotel and the iclub AMTD Sheung Wan Hotel that are owned 100% and 50%, respectively, by P&R Holdings Limited, a 50/50 joint venture between the Company and Paliburg Holdings Limited, the intermediate listed holding company of the Company.

In Mainland China, RHI is presently managing a total of four Regal Hotels, including two in Shanghai, one in Dezhou and one in Xi'an. One new hotel under development in Chengdu will also be managed by the Group upon its completion.

## PROPERTIES

After a short market rebound witnessed in the first quarter last year, the sluggish economic conditions and high interest rates environment continued to weigh on the property sector in Hong Kong. These adverse factors have not only dampened market confidence in the private sector but have also affected land sales by the Hong Kong Government, leading to six failed bids in the public land tenders in 2023.

Following the partial relaxation by the Government of Hong Kong of the special stamp duty and the double stamp duty in October 2023, the volume of property transactions regained some momentum, mainly benefiting from the launching by developers of units in new development projects or retained unsold inventories at competitive prices. Nevertheless, for 2023 as a whole, overall properties prices as well as the aggregate number of property transactions in the residential segment in Hong Kong have declined as compared with 2022.

As mentioned before, the property business of the Group is mainly conducted through P&R as well as through wholly owned subsidiaries of the Company.

The Mount Regalia in Kau To, Sha Tin is a major luxury residential development undertaken by P&R. The development has a total of 24 garden houses and 136 apartment units, together with car parks and club house facilities. During the year, a total of four houses (including one house that is on lease with an option for the lessee to purchase) and eight apartment units were sold or taken as sold and the attributable profits therefrom reflected in the Group's results under review. P&R still owns 3 houses and 83 apartment units in Mount Regalia, which command significant value. P&R will closely monitor the market environment and will continue to dispose of these remaining units on a gradual basis.

Apart from Mount Regalia, P&R owns a mixed portfolio of completed properties and hotels as well as properties held for development in Hong Kong.

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

On the property development front, P&R owns a commercial/residential project at Kam Wa Street in Shau Kei Wan as well as another composite commercial/residential redevelopment at Castle Peak Road for which the requisite majority interests in the existing properties have been acquired. In addition, P&R also owns certain remaining shop units and carparks in The Ascent in Sham Shui Po and 8 retained houses in Casa Regalia in Yuen Long, both are property developments completed by P&R in earlier years, which will continue to be disposed of.

With respect to the Group's own property business, The Queens at Queen's Road West is a commercial/residential building completed in late 2022, which has a total of 130 residential units with club house facilities and commercial accommodations. 7 residential units were sold on the first launch of units sale in 2021. Due to the changed market environment and the rising demand for leased apartments in the area, some of its residential units have been leased out as serviced apartments on short tenure, yielding relatively attractive rentals. Depending on the market conditions, the Group will consider selling the unsold residential and commercial units on units sale or en bloc basis.

In the meanwhile, the Group is also undertaking a commercial/residential redevelopment project at Hai Tan Street in Sham Shui Po. The Group owns 9 houses in Regalia Bay in Stanley. Most recently, the Group entered into an agreement for the sale of a garden house in Regalia Bay at a satisfactory price. Some of the other 8 houses retained will continue to be disposed of on appropriate terms.

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

Further detailed information on the Group's development projects and properties, as well as those undertaken by P&R and Cosmopolitan, is contained in the section headed "Management Discussion and Analysis" in this announcement.

## AIRCRAFT OWNERSHIP AND LEASING

The Group presently owns two Airbus passenger aircraft on operating leases with a major international airline operator in Europe, which leases have been renewed to 2026 earlier this year. In late February 2024, the Group entered into a letter of intent for the sale of these two aircraft to a third party purchaser for an aggregate sale consideration of US$44.5 million. The formal sale and purchase agreement is anticipated to be entered into by the parties shortly, with completion scheduled to take place around the end of April 2024. The profit to be derived from the sale of these two aircraft, when consummated, will be reflected in the results of the Group in the current financial year.

With respect to the other Airbus aircraft repossessed by the Group in late 2021, the airframe had been disposed of in October 2023 and the two aircraft engines are presently on lease to a major European engines manufacturer.

## OUTLOOK

According to a recent research from the World Bank Group, global growth is expected to slow to 2.4% in 2024, the third consecutive year of deceleration, reflecting the lagged and ongoing effects of tight monetary policies to rein in inflation, restrictive credit conditions, and weak global trade and investment.

Despite the progress to date, there is still considerable distance before Hong Kong's economy can recover fully to the pre-pandemic level. Ongoing headwinds and challenges, including slackened global demand, increasing geoeconomic fragmentation and tightened monetary conditions, would continue to adversely impact on the pace and extent of its economic recovery.

In the 2023 Policy Address, tourism was stated to be one of the major driving forces of the Hong Kong economy and the Government is taking positive steps to enhance the attractions of Hong Kong as a major tourist city. Under the coordination of the Government, there will be over 80 mega events to be hosted in Hong Kong in just the first half of this year. These events can drive the businesses of multiple sectors, including tourism, hotels, catering and retail, and bring significant economic benefits to Hong Kong. In addition, effective from 6th March, 2024, the Individual Visit Scheme was further expanded to a total of 51 Mainland China cities by adding Xi'an and Qingdao. Together with the potential resumption of "multiple-entry" endorsements for Shenzhen residents, these should give an extra boost to the business of the local tourist and hotel industries.

On the financial front, the hike cycle of the United States interest rates should already be at its peak. It is now widely expected that its interest rates may start to ease in mid-2024, although this is set against the backdrop that the inflation will stabilise further. By the nature of its business and financial structure, the financial performance of Regal REIT is highly sensitive to fluctuations in interest rates. Although the interest rates in Hong Kong have slowly receded from their high levels that prevailed in late 2023, Regal REIT has entered into several interest rate swap transactions in early February 2024 to swap the interest expenses on parts of its outstanding bank loans from floating rates to fixed rates. It is anticipated this could reduce the financial expenses of Regal REIT in the near term, while at the same time hedge against any unexpected reversionary upward movements in the interest rates.

The REIT Manager is optimistic that the tourist and hotel markets in Hong Kong will continue to recover. The REIT Manager is also optimistic that when the interest rates in Hong Kong gradually settle to more normal levels, Regal REIT will be able to resume distributions to unitholders in the not too distant future.

The Group is implementing progressively the planned disposals of part of its non-core assets, with a view to reinforcing its liquidity resources and overall financial strength.

The Group still owns a strong asset portfolio with principal focus in hotels and properties. The Directors are confident that as the overall business environment continues to revive, the financial performance of the Group will gradually improve.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

The performance of the Group's hotel, property and other investment businesses as well as that of Regal REIT for the year, including the commentary on the business sectors in which the Group operates, the changes in the general market conditions and their potential impact on its operating performance and future prospects, is contained in the above sections headed "Financial Results", "Business Overview" and "Outlook" as well as in this sub-section.

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

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

**Hong Kong**

*Regala Skycity Hotel, the Hong Kong International Airport*

In February 2017, a wholly owned subsidiary of Regal secured the award from the Airport Authority in Hong Kong of the development right for this 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 the SkyPier Terminal. The hotel project is the first phase of the mega SKYCITY Project of the Airport Authority, which also contains large scale retail and office spaces as well as dining and entertainment facilities.

The hotel has 13 storeys (including one basement floor) with a total of 1,208 guestrooms and suites, complemented with extensive banquet, meeting and food and beverage facilities. This new hotel embraces a wide range of sustainable features in its building design, construction and operation and was awarded Gold Rating under BEAM Plus Certification and EarthCheck Design Certified Gold Rating. The hotel also received a number of international design awards including the Muse Design Gold Award, Build4Asia Silver Award, A'Design Silver Award and International Property Award. The hotel licence was issued in November 2021 and the grand opening of the hotel was launched in April 2023.

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

The project has a combined site area of 682 square metres (7,342 square feet) and has been developed into a commercial/residential development with gross floor area of about 5,826 square metres (62,711 square feet). The development has a total of 130 residential units with club house facilities on the second floor and commercial accommodations on the ground and first floors. The occupation permit for this development was obtained in August 2022.

7 residential units were sold on the first launch of units sale in April 2021. Due to the changed market environment and the rising demand for leased apartments in the area, some of the residential units have been leased out as serviced apartments on short tenure.

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

Through the judicial proceedings for the Land Compulsory Sale, the Group has consolidated 100% ownership interests in the subject redevelopment properties. The properties have a total site area of 431 square metres (4,644 square feet) and are intended for a commercial/residential development with gross floor area of about 3,691 square metres (39,733 square feet). Development works are planned to commence after the process for the recovery of vacant possession of 1 remaining unit is completed.

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

Most recently, the Group has entered into an agreement for the sale of a garden house in Regalia Bay for a sale consideration of HK$105 million. The Group still retains 8 other garden houses with total gross area of about 3,719 square metres (40,028 square feet). Some of these remaining houses will continue to be disposed of on appropriate terms.

**Overseas**

*Campus La Mola, Barcelona, Spain*

This hotel property has a total of 186 guestrooms and was acquired by the Group in 2014. The hotel was initially operated by the Group and is presently under lease to an independent third party generating satisfactory rental revenue.

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

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

The rehabilitation plan is to conserve in whole the building's historical heritage. In view of the recent changes in the market environment, alternative business plans are under study with the aim to optimising the intrinsic value of this unique property. On the other hand, the Group is also considering the possible disposal of this property at a satisfactory price.

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

This is a rehabilitation and renovation project for a historical building located in a heritage conservation area of Lisbon, acquired in 2019 by an entity that is now wholly owned by the Group. This building has a total gross floor area of about 1,836 square metres (19,768 square feet), comprising residential apartments as well as shops on ground floor. The renovation works have been substantially completed and the applications for relevant usage permits for the building are under process. The apartment units and shops are intended to be marketed for sale after completion of the renovation works.

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

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

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

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

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

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

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

*The Ascent, No.83 Shun Ning Road, Sham Shui Po, Kowloon*
This is a project undertaken pursuant to a tender award from the Urban Renewal Authority of Hong Kong in 2014. The land has a site area of 824.9 square metres (8,879 square feet) and has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement car parks. The project was completed in 2018. All the residential units as well as certain shops and car parks have already been sold. The remaining 2 shops and 5 car parks will continue to be sold.

*Mount Regalia, 23 Lai Ping Road, Kau To, Sha Tin, New Territories*
The project has a site area of 17,476 square metres (188,100 square feet) which has been developed into a luxury residential complex comprising 7 mid-rise apartment blocks with 136 units, 24 detached garden houses and 197 car parking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The occupation permit was issued in September 2018 and the certificate of compliance in February 2019.

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

Up to the last year end date, a total of 20 garden houses and 53 apartment units have been sold or contracted to be sold at satisfactory prices (total sale price of HK$4,299.3 million), including the 3 garden houses and 1 apartment unit that were sold or contracted to be sold during 2023, of which the sale transactions for 17 houses and 47 apartment units (total sale price of HK$3,677.6 million) have been completed. Sale transactions that were completed during the year included 3 houses and 8 apartment units (total sale price of HK$663.9 million) and the profits derived therefrom already accounted for in the results for 2023. In addition, a garden house was leased out during the year with an option granted to the lessee for the purchase of the property. The lease was regarded as a finance lease and effectively taken as sold, with the relevant revenues having also been recognised in the results under review. The remaining 3 houses and 83 apartments command significant sale value and, apart from the house that is being used as property, plant and equipment, they will continue to be sold on a gradual basis.

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

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

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

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

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

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

*Nos.9-19 Kam Wa Street, Shau Kei Wan, Hong Kong*
The subject properties, which were acquired through private treaty transactions, have a total site area of 518 square metres (5,580 square feet). The demolition works for this project have been completed and the scheme for a commercial/residential development is being finalised.

*Nos.291-293 and 301-303 Castle Peak Road, Cheung Sha Wan, Kowloon*
The properties presently comprise interests in over 92% 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 (5,257 square feet) and are intended for a composite commercial/residential redevelopment. The legal procedures for Land Compulsory Sale through the Lands Tribunal to consolidate 100% ownership interests in the relevant properties are progressing.

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

## COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

### Property Development

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

The development works of third stage were already completed. Nearly all of the residential units in the third stage have now already been sold. Total proceeds from the sales of the residential units amounted to approximately RMB2,048.3 million (HK$2,211.5 million).

The sale of the shops with about 4,110 square metres (44,250 square feet) comprised in the third stage is in progress. Up to date, a total of 4,002 square meters (43,078 square feet) of shops have been sold or contracted to be sold, for aggregate sale considerations of approximately RMB93.2 million (HK$100.6 million). The sale of the 1,389 car parking spaces is continuing and, up to date, 470 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB51.2 million (HK$55.3 million). The procedures for the hand over of most of the shop units and car parking spaces sold have already been completed and the revenues accounted for in the preceding financial year.

The interior construction works of the 325-room hotel have been completed and the Completion Certificate obtained in January 2024. The interior fitting-out works for the guestrooms and the podium based on the revised design scheme are being planned and the hotel is scheduled to open in phases after the completion of the respective fitting-out works.

The construction works of the remaining commercial components within the development, comprising a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet) are proceeding steadily. All the office towers, the commercial facilities as well as the six-storey shopping mall podium have been topped-off. The market repositioning works of the shopping mall and certain of the office towers are also in progress.

The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 20,000 square metres (215,200 square feet), commenced in 2021. Up to date, 275 office units with a total of about 12,254 square meters (131,902 square feet) have been presold under contracts or subscribed by prospective purchasers, for an aggregate sale consideration of RMB105.8 million (HK$114.2 million).

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

The timing for the launching of the sale programme for the units in the other four office towers will depend on the property market environment in Chengdu.

*Tianjin Project – Regal Renaissance*

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

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

The remaining components in this development, which have all been completed, mainly consist of two office towers atop of a four-storey podium. The market repositioning works for the commercial podium are in progress. In view of the prevailing unfavourable market environment, the marketing programme for the sale of the units in the office towers will be deferred to a later appropriate time.

*Xinjiang Project*

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

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

### FINANCIAL ASSETS AND OTHER INVESTMENTS

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

## FINANCIAL REVIEW

### ASSETS VALUE

The Group's hotel properties in Hong Kong owned by Regal REIT, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel, were stated in the financial statements at their fair values as at 23rd July, 2010 when Regal REIT became a subsidiary of the Group, plus subsequent capital additions and deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially as a whole but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel were stated in the Group's financial statements at their fair values at the time of acquisition net of the unrealised gain attributable to the Group and are also subject to depreciation and impairment, while the Regala Skycity Hotel completed in 2021 is stated at cost and also subject to depreciation. For the purpose of providing supplementary information, if the Group's entire hotel property portfolio in Hong Kong is restated in the consolidated financial statements at market value as at 31st December, 2023, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$21.03 per share, computed as follows:

| | As at 31st December, 2023 | |
|---|---|---|
| | HK$'M | HK$ per ordinary share |
| **Book net assets attributable to equity holders of the parent** | **9,193.6** | **10.23** |
| **Adjustment to restate the Group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities** | **9,704.4** | **10.80** |
| **Unaudited adjusted net assets attributable to equity holders of the parent** | **18,898.0** | **21.03** |

## 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.

Hotel and property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged to cover a part of the land cost and a major portion or the entire amount of the construction cost, with the loan maturity tied in to the estimated project completion date. Project financings for the projects in overseas are arranged, if terms are considered appropriate, to cover a part of the land costs and/or construction costs, and with the loan maturities aligning with the estimated project completion dates.

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

**Cash Flows**

During the year under review, there were net cash flows generated from operating activities of HK$556.1 million (2022 – HK$209.5 million). Net interest payment for the year amounted to HK$826.5 million (2022 – HK$225.0 million).

**Borrowings and Gearing**

As at 31st December, 2023, the Group had cash and bank balances and deposits of HK$1,684.9 million (2022 – HK$1,744.5 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$14,483.3 million (2022 – HK$13,831.2 million).

As at 31st December, 2023, the gearing ratio of the Group was 50.8% (2022 – 45.7%), representing the Group's borrowings, net of cash and bank balances and deposits, of HK$14,483.3 million (2022 – HK$13,831.2 million), as compared to the total assets of the Group of HK$28,518.7 million (2022 – HK$30,247.8 million).

On the basis of the adjusted total assets as at 31st December, 2023 of HK$40,901.0 million (2022 – HK$41,652.4 million) with the Group's hotel portfolio in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 35.4% (2022 – 33.2%).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2023 are shown in the consolidated financial statements ("Financial Statements") contained in the annual report of the Company for the year ended 31st December, 2023 (the "2023 Annual Report") to be published on or before 30th April, 2024.

**Lease Liabilities**

As at 31st December, 2023, the Group had lease liabilities of HK$18.2 million (2022 – HK$26.5 million).

**Pledge of Assets**

As at 31st December, 2023, the Group's properties held for sale and certain of the Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, time deposits and bank balances in the total amount of HK$20,529.1 million (2022 – HK$20,394.7 million) were pledged to secure banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT.

**Capital Commitments**

Details of the capital commitments of the Group as at 31st December, 2023 are shown in the Financial Statements.

**Contingent Liabilities**

Details of the contingent liabilities of the Group as at 31st December, 2023 are shown in the Financial Statements.

## DIVIDEND

The Directors have resolved not to recommend the payment of a final dividend to holders of ordinary shares for the year ended 31st December, 2023 (2022 – Nil). No interim dividend was paid for the year ended 31st December, 2023 (2022 – Nil).

## ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Thursday, 13th June, 2024. The Notice of the Annual General Meeting will be published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company and sent to the shareholders of the Company, together with the Company's 2023 Annual Report, in due course.

## CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the 2024 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Friday, 7th June, 2024 to Thursday, 13th June, 2024, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to be entitled to attend and vote at the 2024 Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Thursday, 6th June, 2024.

## YEAR END RESULTS

### Consolidated Statement of Profit or Loss

| | Year ended 31st December, 2023 HK$'M | Year ended 31st December, 2022 HK$'M |
|---|---|---|
| REVENUE (Notes 2 & 3) | **1,792.2** | 1,831.1 |
| Cost of sales | **(1,139.9)** | (973.3) |
| Gross profit | **652.3** | 857.8 |
| Other income and gains, net (Note 3) | **153.0** | 165.8 |
| Fair value losses on financial assets at fair value through profit or loss, net | **(914.2)** | (93.7) |
| Fair value losses on investment properties, net | **(16.7)** | (7.3) |
| Fair value gain upon reclassification of properties held for sale to investment properties | **241.6** | – |
| Reversal of impairment loss on items of property, plant and equipment and right-of-use assets | **15.3** | – |
| Impairment loss of properties under development | **(42.5)** | – |
| Impairment loss on investments in associates | **(0.1)** | (0.5) |
| Property selling and marketing expenses | **(2.3)** | (14.2) |
| Administrative expenses | **(268.1)** | (271.9) |
| OPERATING PROFIT/(LOSS) BEFORE DEPRECIATION | **(181.7)** | 636.0 |
| Depreciation | **(618.6)** | (623.8) |
| OPERATING PROFIT/(LOSS) (Note 4) | **(800.3)** | 12.2 |
| Finance costs (Note 5) | **(969.0)** | (463.5) |
| Share of profits and losses of: | | |
| Joint ventures | **(181.7)** | 5.7 |
| An associate | **(0.1)** | 0.3 |
| LOSS BEFORE TAX | **(1,951.1)** | (445.3) |
| Income tax (Note 6) | **19.5** | 34.0 |
| LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | **(1,931.6)** | (411.3) |

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

| | Year ended 31st December, 2023 HK$'M | Year ended 31st December, 2022 HK$'M |
|---|---|---|
| Attributable to: | | |
| Equity holders of the parent | **(1,791.9)** | (358.3) |
| Non-controlling interests | **(139.7)** | (53.0) |
| | **(1,931.6)** | (411.3) |
| LOSS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8) | | |
| Basic and diluted | **HK$(2.12)** | HK$(0.53) |

**Consolidated Statement of Comprehensive Income**

| | Year ended 31st December, 2023 HK$'M | Year ended 31st December, 2022 HK$'M |
|---|---|---|
| LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS | **(1,931.6)** | (411.3) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translating foreign operations | **16.7** | (35.0) |
| Share of other comprehensive loss of: | | |
| A joint venture | **(15.4)** | (36.1) |
| Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods | **1.3** | (71.1) |
| Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods: | | |
| Gains on property valuation | **2.2** | – |
| Share of other comprehensive income/(loss) of: | | |
| A joint venture | **137.3** | (67.5) |
| Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods | **139.5** | (67.5) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | **140.8** | (138.6) |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | **(1,790.8)** | (549.9) |
| Attributable to: | | |
| Equity holders of the parent | **(1,651.1)** | (496.9) |
| Non-controlling interests | **(139.7)** | (53.0) |
| | **(1,790.8)** | (549.9) |

**Consolidated Statement of Financial Position**

| | 31st December, 2023<br>HK$'M | 31st December, 2022<br>HK$'M |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | **5,743.4** | 6,014.4 |
| Investment properties | **1,336.5** | 595.4 |
| Right-of-use assets | **12,534.9** | 12,857.5 |
| Properties under development | **451.0** | 490.8 |
| Investments in joint ventures | **2,817.7** | 3,122.9 |
| Investments in associates | **8.7** | 8.8 |
| Financial assets at fair value through profit or loss | **582.5** | 757.6 |
| Other loan | **–** | 357.0 |
| Debtors and deposits (Note 9) | **79.5** | 84.4 |
| Deferred tax assets | **47.7** | 47.7 |
| Intangible assets | **3.6** | 6.8 |
| Total non-current assets | **23,605.5** | 24,343.3 |
| CURRENT ASSETS | | |
| Properties under development | **88.9** | 85.0 |
| Properties held for sale | **919.9** | 1,370.0 |
| Inventories | **23.8** | 25.6 |
| Debtors, deposits and prepayments (Note 9) | **211.1** | 287.8 |
| Financial assets at fair value through profit or loss | **1,039.9** | 1,932.5 |
| Other loan | **847.2** | 382.2 |
| Derivative financial instruments | **93.9** | 70.1 |
| Tax recoverable | **3.6** | 6.8 |
| Restricted cash | **531.1** | 151.6 |
| Pledged time deposits and bank balances | **166.7** | 163.7 |
| Time deposits | **409.0** | 827.4 |
| Cash and bank balances | **578.1** | 601.8 |
| Total current assets | **4,913.2** | 5,904.5 |

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

| | 31st December, 2023 | 31st December, 2022 |
|---|---|---|
| | HK$'M | HK$'M |
| CURRENT LIABILITIES | | |
| Creditors, deposits received and accruals (Note 10) | **(391.6)** | (389.5) |
| Contract liabilities | **(54.9)** | (53.9) |
| Lease liabilities | **(11.7)** | (10.8) |
| Interest bearing bank borrowings (Note 11) | **(2,954.1)** | (7,354.5) |
| Tax payable | **(20.1)** | (21.6) |
| Total current liabilities | **(3,432.4)** | (7,830.3) |
| NET CURRENT ASSETS/(LIABILITIES) | **1,480.8** | (1,925.8) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | **25,086.3** | 22,417.5 |
| NON-CURRENT LIABILITIES | | |
| Creditors and deposits received (Note 10) | **(108.1)** | (101.6) |
| Lease liabilities | **(6.5)** | (15.7) |
| Interest bearing bank borrowings | **(13,214.1)** | (8,221.2) |
| Deferred tax liabilities | **(647.1)** | (687.6) |
| Total non-current liabilities | **(13,975.8)** | (9,026.1) |
| Net assets | **11,110.5** | 13,391.4 |
| EQUITY | | |
| **Equity attributable to equity holders of the parent** | | |
| Issued capital | **89.9** | 89.9 |
| Reserves | **9,103.7** | 11,236.7 |
| | **9,193.6** | 11,326.6 |
| **Perpetual securities** | **1,732.9** | 1,732.9 |
| **Non-controlling interests** | **184.0** | 331.9 |
| Total equity | **11,110.5** | 13,391.4 |

Notes:

1. Basis of Preparation and Accounting Policies

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

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements.

| | |
|---|---|
| HKFRS 17 | *Insurance Contracts* |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to HKAS 8 | *Definition of Accounting Estimates* |
| Amendments to HKAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to HKAS 12 | *International Tax Reform – Pillar Two Model Rules* |

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position or performance of the Group upon initial application.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1st January, 2023, but are not required to disclose such information for any interim periods ending on or before 31st December, 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. Operating Segment Information

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

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

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

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

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

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

(f) the others segment mainly comprises sale of food products, operation and management of restaurants, operation of security storage lounge, the provision of housekeeping and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

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

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

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

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2023 and 2022:

| | Hotel operation and management and hotel ownership | | Asset management | | Property development and investment | | Financial assets investments | | Aircraft ownership and leasing | | Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** |
| Segment revenue (Note 3): | | | | | | | | | | | | | | | | |
| Sales to external customers | 1,676.5 | 1,647.0 | - | - | 14.1 | 84.5 | 14.2 | 23.9 | 29.4 | 24.1 | 58.0 | 51.6 | - | - | 1,792.2 | 1,831.1 |
| Intersegment sales | 2.6 | 4.5 | 91.1 | 89.6 | 2.4 | 2.4 | - | - | - | - | 178.2 | 165.7 | (274.3) | (262.2) | - | - |
| Total | 1,679.1 | 1,651.5 | 91.1 | 89.6 | 16.5 | 86.9 | 14.2 | 23.9 | 29.4 | 24.1 | 236.2 | 217.3 | (274.3) | (262.2) | 1,792.2 | 1,831.1 |
| Segment results before depreciation | 487.5 | 673.7 | (16.5) | (17.9) | 284.2 | 103.3 | (901.0) | (65.5) | 40.9 | 18.8 | (12.3) | 4.2 | - | - | (117.2) | 716.6 |
| Depreciation | (605.1) | (610.0) | - | - | (4.0) | (4.0) | - | - | (6.7) | (6.8) | (2.8) | (3.0) | - | - | (618.6) | (623.8) |
| Segment operating results | (117.6) | 63.7 | (16.5) | (17.9) | 280.2 | 99.3 | (901.0) | (65.5) | 34.2 | 12.0 | (15.1) | 1.2 | - | - | (735.8) | 92.8 |
| Unallocated interest income and unallocated non-operating and corporate gains | | | | | | | | | | | | | | | 28.5 | 12.7 |
| Unallocated non-operating and corporate expenses, net | | | | | | | | | | | | | | | (93.7) | (93.8) |
| Finance costs (other than interest on lease liabilities) | | | | | | | | | | | | | | | (968.3) | (463.0) |
| Share of profits and losses of: | | | | | | | | | | | | | | | | |
| Joint ventures | - | - | - | - | (181.7) | 5.7 | - | - | - | - | - | - | - | - | (181.7) | 5.7 |
| An associate | - | - | - | - | (0.1) | 0.3 | - | - | - | - | - | - | - | - | (0.1) | 0.3 |
| Loss before tax | | | | | | | | | | | | | | | (1,951.1) | (445.3) |
| Income tax | | | | | | | | | | | | | | | 19.5 | 34.0 |
| Loss for the year before allocation between equity holders of the parent and non-controlling interests | | | | | | | | | | | | | | | (1,931.6) | (411.3) |
| Attributable to: | | | | | | | | | | | | | | | | |
| Equity holders of the parent | | | | | | | | | | | | | | | (1,791.9) | (358.3) |
| Non-controlling interests | | | | | | | | | | | | | | | (139.7) | (53.0) |
| | | | | | | | | | | | | | | | (1,931.6) | (411.3) |

| | Hotel operation and management and hotel ownership | | Asset management | | Property development and investment | | Financial assets investments | | Aircraft ownership and leasing | | Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** | **2023 HK$'M** | **2022 HK$'M** |
| Segment assets | 18,150.4 | 18,716.0 | 32.6 | 33.6 | 3,722.6 | 3,415.7 | 1,722.5 | 2,766.5 | 329.2 | 323.1 | 26.9 | 33.6 | (31.5) | (32.4) | 23,952.7 | 25,256.1 |
| Investments in joint ventures | - | - | - | - | 2,817.7 | 3,122.9 | - | - | - | - | - | - | - | - | 2,817.7 | 3,122.9 |
| Investments in associates | - | - | - | - | 3.7 | 3.7 | - | - | - | - | 5.0 | 5.1 | - | - | 8.7 | 8.8 |
| Cash and unallocated assets | | | | | | | | | | | | | | | 1,739.6 | 1,860.0 |
| Total assets | | | | | | | | | | | | | | | 28,518.7 | 30,247.8 |
| Segment liabilities | (452.8) | (426.8) | (1.3) | (1.5) | (57.3) | (58.1) | (0.9) | (3.3) | (53.2) | (65.6) | (22.9) | (21.9) | 31.5 | 32.4 | (556.9) | (544.8) |
| Interest bearing bank borrowings and unallocated liabilities | | | | | | | | | | | | | | | (16,851.3) | (16,311.6) |
| Total liabilities | | | | | | | | | | | | | | | (17,408.2) | (16,856.4) |
| Other segment information: | | | | | | | | | | | | | | | | |
| Interest income | - | - | - | - | (94.1) | (84.4) | (5.8) | (12.8) | - | - | - | - | | | | |
| Reimbursement of lease payments in connection with undertaking provided by a joint venture | - | (14.9) | - | - | - | - | - | - | - | - | - | - | | | | |
| Impairment loss on properties under development | - | - | - | - | 42.5 | - | - | - | - | - | - | - | | | | |
| Impairment of trade debtors, net | 0.3 | 1.1 | - | - | - | - | - | - | - | - | - | - | | | | |
| Fair value losses on financial assets at fair value through profit or loss, net | - | - | - | - | - | - | 914.2 | 93.7 | - | - | - | - | | | | |
| Fair value (gains)/losses on investment properties | (7.0) | (8.0) | - | - | 23.7 | 15.3 | - | - | - | - | - | - | | | | |
| Fair value gain upon reclassification of properties held for sale to investment properties | - | - | - | - | (241.6) | - | - | - | - | - | - | - | | | | |
| Reversal of impairment loss on items of property, plant and equipment and right-of-use assets | (3.5) | - | - | - | - | - | - | - | (11.8) | - | - | - | | | | |
| Impairment loss on investment in associates | - | - | - | - | - | - | - | - | - | - | 0.1 | 0.5 | | | | |
| Write-off of intangible assets | - | - | - | - | - | - | - | - | - | - | 3.6 | - | | | | |
| Capital expenditure | 57.3 | 46.8 | 0.1 | - | 0.6 | 3.3 | - | - | - | - | 1.0 | 1.5 | | | | |

Geographical information

(a) Revenue from external customers

| | 2023 | 2022 |
|---|---|---|
| | **HK$'M** | **HK$'M** |
| Hong Kong | **1,742.5** | 1,786.7 |
| Mainland China | **3.8** | 2.5 |
| Other | **45.9** | 41.9 |
| | **1,792.2** | 1,831.1 |

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

(b) Non-current assets

| | 2023 | 2022 |
|---|---|---|
| | **HK$'M** | **HK$'M** |
| Hong Kong | **20,930.3** | 21,170.5 |
| Mainland China | **1,283.4** | 1,266.4 |
| Other | **682.1** | 659.7 |
| | **22,895.8** | 23,096.6 |

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

Information about major customer

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

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

| | **2023** | **2022** |
|---|---|---|
| | **HK$'M** | **HK$'M** |
| Revenue | | |
| *Revenue from contracts with customers* | | |
| Hotel operations and management services | **1,611.2** | 1,580.1 |
| Proceeds from sale of properties | **–** | 73.8 |
| Other operations | **64.7** | 57.2 |
| | **1,675.9** | 1,711.1 |
| *Revenue from other sources* | | |
| Rental income: | | |
| Hotel properties | **44.1** | 45.4 |
| Investment properties | **25.7** | 23.0 |
| Aircraft | **29.4** | 24.1 |
| Others | **2.6** | 2.7 |
| Gain from sale of financial assets at fair value through profit or loss, net | **7.0** | 3.7 |
| Interest income from financial assets at fair value through profit or loss | **5.5** | 12.5 |
| Dividend income from listed investments | **1.7** | 7.7 |
| Other operations | **0.3** | 0.9 |
| | **1,792.2** | 1,831.1 |

| | 2023 | 2022 |
|---|---|---|
| | **HK$'M** | **HK$'M** |
| Other income and gains, net | | |
| Bank interest income | **25.6** | 10.7 |
| Other interest income | **95.5** | 85.3 |
| Gain/(loss) on disposal of unlisted investments included in financial assets at fair value through profit or loss | **(7.1)** | 5.5 |
| Dividend income from unlisted investments | **6.6** | 2.2 |
| Release of aircraft maintenance reserve | **9.1** | – |
| Reimbursement of lease payments in connection with undertaking provided by a joint venture | **–** | 14.9 |
| Compensation received in relation to refinancing of a bank loan | **–** | 23.7 |
| Others | **23.3** | 23.5 |
| | **153.0** | 165.8 |

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

| | 2023 | 2022 |
|---|---|---|
| | **HK$'M** | **HK$'M** |
| Profit on disposal of properties | **–** | 26.5 |
| | | |
| Depreciation of property, plant and equipment | **337.3** | 342.5 |
| Depreciation of right-of-use assets | **281.3** | 281.3 |
| | **618.6** | 623.8 |

5. Finance costs of the Group are as follows:

| | 2023 HK$'M | 2022 HK$'M |
|---|---|---|
| Interest on bank loans | **922.0** | 425.0 |
| Interest on lease liabilities | **0.7** | 0.5 |
| Interest expenses arising from revenue contracts | **–** | 0.3 |
| Amortisation of debt establishment costs | **41.4** | 39.8 |
| Total interest expenses on financial liabilities not at fair value through profit or loss | **964.1** | 465.6 |
| Other loan costs | **5.3** | 4.2 |
| | **969.4** | 469.8 |
| Less: Finance costs capitalised | **(0.4)** | (6.3) |
| | **969.0** | 463.5 |

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

| | 2023 HK$'M | 2022 HK$'M |
|---|---|---|
| Current – Hong Kong | | |
| Charge for the year | **22.5** | 24.9 |
| Overprovision in prior years | **(0.9)** | (0.2) |
| Deferred | **(41.1)** | (58.7) |
| Total tax credit for the year | **(19.5)** | (34.0) |

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

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

The share of tax attributable to a joint venture amounting to HK$23.5 million (2022 – HK$80.2 million) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

7. Dividend:

No dividend was paid or proposed during the year ended 31st December, 2023, nor has any dividend been proposed since the end of the reporting period (2022 – Nil).

8. The calculation of the basic loss per ordinary share is based on the loss for the year attributable to equity holders of the parent of HK$1,791.9 million (2022 – HK$358.3 million), adjusted for the distribution related to perpetual securities of HK$114.6 million (2022 – HK$114.8 million), and on the weighted average of 898.8 million (2022 – 898.8 million) ordinary shares of the Company in issue during the year.

No adjustment was made to the basic loss per ordinary share for the years ended 31st December, 2023 and 2022 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

9. Included in debtors, deposits and prepayments is an amount of HK$95.5 million (2022 – HK$119.1 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:

| | **2023** | **2022** |
|---|---|---|
| | **HK$'M** | **HK$'M** |
| Outstanding balances with ages: | | |
| Within 3 months | **78.5** | 98.6 |
| 4 to 6 months | **4.5** | 3.8 |
| 7 to 12 months | **4.9** | 12.9 |
| Over 1 year | **22.7** | 31.0 |
| | **110.6** | 146.3 |
| Impairment | **(15.1)** | (27.2) |
| | **95.5** | 119.1 |

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

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

10. Included in creditors, deposits received and accruals is an amount of HK$79.8 million (2022 – HK$38.5 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

| | **2023** | 2022 |
|---|---|---|
| | **HK$'M** | **HK$'M** |
| Outstanding balances with ages: | | |
| Within 3 months | **79.7** | 38.2 |
| Over 1 year | **0.1** | 0.3 |
| | **79.8** | 38.5 |

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

11. Included in interest bearing bank borrowings under current liabilities is an amount of HK$851.8 million (2022 – HK$1,707.9 million) which represents the outstanding balance of revolving loan facilities with remaining tenors of over 12 months.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31st December, 2023.

## SCOPE OF WORK OF INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2023 as set out in this preliminary results announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditors on this preliminary results announcement.

## REVIEW OF RESULTS

The Audit Committee has reviewed the Group's draft consolidated financial statements for the year ended 31st December, 2023, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

## CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on Stock Exchange during the year ended 31st December, 2023, except that:

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

## BOARD OF DIRECTORS

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

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

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

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

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

Hong Kong, 27th March, 2024