



REGAL REIT
富豪產業信託

Regal Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code : 1881)

2023
INTERIM
REPORT



Managed by



富豪資產管理有限公司
Regal Portfolio
Management Limited

CONTENTS

2	Corporate Information
3	Chairman's Statement
6	Management Discussion and Analysis
22	Other Information and Disclosures
23	Corporate Governance
25	Connected Party Transactions
31	Disclosure of Interests
34	Performance Table
35	Condensed Consolidated Financial Statements
35	Condensed Consolidated Statement of Profit or Loss
36	Condensed Consolidated Statement of Comprehensive Income
37	Condensed Consolidated Statement of Financial Position
39	Condensed Consolidated Statement of Changes in Net Assets
40	Distribution Statement
41	Condensed Consolidated Statement of Cash Flows
42	Notes to the Condensed Consolidated Financial Statements
66	Report on Review of Interim Financial Information
67	Summary of Property Portfolio

CORPORATE INFORMATION

MANAGER OF REGAL REIT

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Causeway Bay,
Hong Kong.
Tel: 2805-6336
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BOARD OF DIRECTORS OF THE REIT MANAGER

Non-executive Directors

Lo Yuk Sui (Chairman)
Lo Po Man (Vice Chairman)
Jimmy Lo Chun To
Kenneth Ng Kwai Kai

Executive Directors

Johnny Chen Sing Hung
Simon Lam Man Lim

Independent Non-executive Directors

John William Crawford, JP
Bowen Joseph Leung Po Wing, GBS, JP
Kai Ole Ringenson
Abraham Shek Lai Him, GBS, JP

AUDIT COMMITTEE OF THE REIT MANAGER

John William Crawford, JP (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Kai Ole Ringenson
Abraham Shek Lai Him, GBS, JP
Kenneth Ng Kwai Kai

DISCLOSURE COMMITTEE OF THE REIT MANAGER

John William Crawford, JP (Chairman)
Johnny Chen Sing Hung
Simon Lam Man Lim
Kenneth Ng Kwai Kai
Kai Ole Ringenson

NOMINATION COMMITTEE OF THE REIT MANAGER

Lo Yuk Sui (Chairman)
John William Crawford, JP
Bowen Joseph Leung Po Wing, GBS, JP
Kai Ole Ringenson
Abraham Shek Lai Him, GBS, JP
Kenneth Ng Kwai Kai

RESPONSIBLE OFFICERS OF THE REIT MANAGER

Johnny Chen Sing Hung
Simon Lam Man Lim
Peony Choi Ka Ka

SECRETARY OF THE REIT MANAGER

Peony Choi Ka Ka

TRUSTEE OF REGAL REIT

DB Trustees (Hong Kong) Limited (the "Trustee")

AUDITOR

Ernst & Young
Registered Public Interest Entity Auditor

PRINCIPAL VALUER

Colliers International (Hong Kong) Limited

PRINCIPAL BANKERS

Bank of Communication (Hong Kong) Limited
The Bank of East Asia, Limited
Cathay United Bank Company, Limited, Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Oversea-Chinese Banking Corporation Limited,
Hong Kong Branch
United Overseas Bank Limited

LEGAL ADVISER

Baker & McKenzie

UNIT REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
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WEBSITE

www.RegalREIT.com

Dear Unitholders,

I am presenting herewith, on behalf of the Board of Directors of Regal Portfolio Management Limited as the REIT Manager, the 2023 Interim Report of Regal Real Estate Investment Trust.

FINANCIAL RESULTS

For the Interim Period ended 30th June, 2023, Regal REIT recorded an unaudited consolidated profit before distribution to Unitholders of HK\$105.2 million, as compared to a profit of HK\$613.1 million for the corresponding period in 2022. The profit recorded for the Interim Period was principally attributable to the gain of HK\$120.0 million in the fair value of Regal REIT's investment property portfolio, based on the market valuations appraised by the principal valuer as of 30th June, 2023, as compared to the last appraised value as of 31st December, 2022. For the corresponding period last year, a fair value gain of HK\$444.3 million was recorded. If these fair value changes are excluded, there would be a core operating loss before distribution to Unitholders for the Interim Period of HK\$14.8 million, as compared to a profit of HK\$168.8 million for the same period in 2022. The core operating loss for the Interim Period was mainly due to the substantial increase in the financial expenses incurred, which amounted to HK\$260.9 million (2022 – HK\$85.3 million), as the Hong Kong Interbank Offered Rates (HIBOR), on which the borrowing costs of Regal REIT's bank loans are based, have risen rapidly since the second quarter of this year.

Consequently, there is an adjusted loss of HK\$19.4 million for the Interim Period, after taking into account the various non-cash adjustments, as compared to a total distributable income of HK\$183.1 million (equivalent to approximately HK\$0.056 per Unit) attained for the corresponding period in 2022. The Directors of the REIT Manager have therefore decided not to declare an interim distribution for the six months ended 30th June, 2023 (2022 interim distribution – HK\$0.051 per Unit).

HOTEL MARKET AND BUSINESS REVIEW

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

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

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

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

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

The five Initial Hotels, which are leased to a wholly-owned subsidiary of Regal Hotels International Holdings Limited (“RHIHL”), the immediate listed holding company of Regal REIT, have all managed to achieve steadily improving performance after the full reopening of the borders with Mainland China and the lifting of all anti-pandemic measures early this year. As mentioned before, three of the Initial Hotels, namely, the Regal Airport Hotel, the Regal Kowloon Hotel and the Regal Oriental Hotel were operating as quarantine hotels under the government quarantine scheme during the first six months of 2022 and, hence, their operating results for the two comparative periods are not directly comparable. With respect to the other two Initial Hotels, namely, the Regal Hongkong Hotel and the Regal Riverside Hotel, they both achieved satisfactory improvements in their operating performance year-on-year, with their average RevPAR having increased at a level above the industry average. However, due to the different revenue structure when three of the Initial Hotels were operating as quarantine hotels in 2022, the aggregate net operating income of the five Initial Hotels as a whole for the Interim Period was below the level attained in the corresponding period last year.

The prevailing aggregate base rent for 2023 for the Initial Hotels is HK\$480.0 million. As the aggregate net property income of these five hotels for the Interim Period was below the pro-rated base rent, no variable rent was earned.

Apart from the five Initial Hotels, Regal REIT also owns four other hotel properties in Hong Kong, all under the “iclub by Regal” brand name. The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and has been self-operated by Regal REIT since 2011. The net property income from this property, including the lease rentals from the non-hotel portions, for the Interim Period has improved substantially as compared to the corresponding period in 2022.

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

The aggregate annual base rent for 2023 for these three iclub Hotels, as determined by an independent professional property valuer in accordance with the terms of their annual market rental reviews, is HK\$92.0 million. During the Interim Period, they generated aggregate pro-rated rental income of HK\$46.0 million.

Further details on the hotel properties owned by Regal REIT, including their detailed lease terms and their operating data for the first half of 2023, are contained in the Report of the REIT Manager in this Interim Report.

BUSINESS OUTLOOK

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

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

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

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

Lo Yuk Sui

Chairman

Regal Portfolio Management Limited

(as the REIT Manager of Regal REIT)

Hong Kong, 25th August, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors of the REIT Manager herein report the unaudited interim results of Regal Real Estate Investment Trust (“Regal REIT”) and its subsidiaries (collectively, the “Group”) for the six-month period from 1st January, 2023 to 30th June, 2023 (the “Interim Period”).

LONG-TERM OBJECTIVES AND VISION OF REGAL REIT

The primary objectives of Regal REIT and the REIT Manager are to provide long-term stable, growing distributions and capital growth for the unitholders of Regal REIT (the “Unitholders”) through active ownership of hotels and strategic investments in hotels, serviced apartments and/or commercial properties (including office and retail properties).

The vision of Regal REIT and the REIT Manager is to build up the existing portfolio of hotel properties in Hong Kong comprised of: (a) Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel (collectively, the “Initial Hotels”); and (b) iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel (formerly known as iclub Ma Tau Wai Hotel) (collectively, the “iclub Hotels”), and to be a pre-eminent owner of quality international hotels and other properties with a primary focus in Hong Kong as well as to reinforce Regal REIT’s status as a growing attractive option for investors.


THE REIT MANAGER AND THE TRUSTEE

The REIT Manager is licenced by the Securities and Futures Commission in Hong Kong (the “SFC”) to undertake the regulated activities of asset management. The REIT Manager does not manage the five Initial Hotels or the four iclub Hotels directly.

The Trustee is DB Trustees (Hong Kong) Limited, a wholly-owned subsidiary of Deutsche Bank AG. The Trustee is qualified to act as a trustee for collective investment schemes authorised under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). In this role, the Trustee holds the assets of Regal REIT in trust for the benefit of the Unitholders as a whole and oversees the activities of the REIT Manager for compliance with the trust deed constituting Regal REIT (the “Trust Deed”) and all regulatory requirements.

THE RHIHL LESSEE AND THE HOTEL MANAGER

The Initial Hotels are leased to Favour Link International Limited (the “RHIHL Lessee”), a wholly-owned subsidiary of Regal Hotels International Holdings Limited (“RHIHL”, together with its relevant subsidiaries, collectively, the “RHIHL Group”), with lease terms expiring on 27th December, 2028 (for Regal Airport Hotel) and 31st December, 2030 (for each of Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel) under the relevant lease agreements and supplemental lease agreements (together, the “Initial Hotels Lease Agreements”). The market rental packages for each of the Initial Hotels will be determined annually by a jointly appointed independent professional property valuer.



Regal Hotels International Limited, a wholly-owned subsidiary of RHIHL, was appointed as the hotel manager (the “Hotel Manager”) under long-term hotel management agreements to operate the Initial Hotels (the “Initial Hotels Management Agreements”) for a term of twenty years from 16th March, 2007. On 20th December, 2019, Regal REIT entered into a hotel management agreement with the Hotel Manager for the operation of the hotel portion of iclub Wan Chai Hotel for a term of ten years from 1st January, 2021 to 31st December, 2030 (the “Wan Chai Hotel Management Agreement”) and the iclub Wan Chai Hotel is self-operated and not leased out by Regal REIT.

On 10th February, 2014, Regal REIT acquired the iclub Sheung Wan Hotel and leased it to the RHIHL Lessee for hotel operations for the period from 10th February, 2014 to 31st December, 2019 under a lease agreement (the “SW Lease Agreement”), which is extendable at the option of Regal REIT for a further five years. On 17th May, 2019, Regal REIT exercised its option to extend the lease term for a further five year period from 1st January, 2020 and expiring on 31st December, 2024 (both days inclusive). On 18th November, 2019, Regal REIT entered into a new lease agreement for the iclub Sheung Wan Hotel (the “New SW Lease Agreement”) with the RHIHL Lessee to formally effect the extension of the above-mentioned 5-year lease term. Save for the extension of the lease term as mentioned above, all the other terms and conditions of the New SW Lease Agreement remained the same as those in the SW Lease Agreement. The Hotel Manager was appointed as the hotel manager of the iclub Sheung Wan Hotel under a 10-year hotel management agreement (the “SW Hotel Management Agreement”) commencing on 10th February, 2014.

On 28th July, 2014, Regal REIT also acquired the iclub Fortress Hill Hotel and leased it to the RHIHL Lessee for hotel operations for the period from 28th July, 2014 to 31st December, 2019 under a lease agreement (the “FH Lease Agreement”), which is extendable at the option of Regal REIT for a further five years. On 17th May, 2019, Regal REIT exercised its option to extend the lease term for a further five year period from 1st January, 2020 and expiring on 31st December, 2024 (both days inclusive). On 18th November, 2019, Regal REIT entered into a new lease agreement for the iclub Fortress Hill Hotel (the “New FH Lease Agreement”) with the RHIHL Lessee to formally effect the extension of the above-mentioned 5-year lease term. Save for the extension of the lease term as mentioned above, all the other terms and conditions of the New FH Lease Agreement remained the same as those in the FH Lease Agreement. The Hotel Manager was also appointed as the hotel manager of the iclub Fortress Hill Hotel under a 10-year hotel management agreement (the “FH Hotel Management Agreement”) commencing on 28th July, 2014.

On 4th September, 2017, Regal REIT acquired the iclub To Kwa Wan Hotel and leased it to the RHIHL Lessee for hotel operations for a term of five years commencing on 4th September, 2017 under a lease agreement (the “TKW Lease Agreement”), which is extendable at the option of Regal REIT for a further term to 31st December, 2027. On 29th December, 2021, Regal REIT exercised its option to extend the lease term of iclub To Kwa Wan Hotel for a further term, commencing from 4th September, 2022 and expiring on 31st December, 2027 (both days inclusive). On 8th June, 2022, Regal REIT and the RHIHL Lessee entered into the supplemental deed amending the TKW Lease Agreement to formally effect the extension of the abovementioned lease term. Save for the extension of the lease term as mentioned above, all the other existing terms and conditions of the TKW Lease Agreement remain unchanged. The Hotel Manager was appointed as the hotel manager of the iclub To Kwa Wan Hotel under a 10-year hotel management agreement (the “TKW Hotel Management Agreement”) commencing on 4th September, 2017.

HOTEL PORTFOLIO

The portfolio of nine hotel properties of Regal REIT are strategically located in different districts in Hong Kong, enabling hotel guests to have easy and convenient access to the mass transit network and other public transportation networks. The Regal REIT's hotel portfolio is comprised of two hotel types, namely, full-service hotels, which offer a wide range of services including food and beverage outlets and other facilities, and select-service hotels, which offer contemporary design and are equipped with tech-savvy facilities.

Hotel Types	District Location	No. of Rooms	Operations Mode
<i>Full-service hotels:</i>			
Regal Airport Hotel	Chek Lap Kok	1,171	Under Lease
Regal Hongkong Hotel	Causeway Bay	481	Under Lease
Regal Kowloon Hotel	Tsim Sha Tsui	600	Under Lease
Regal Oriental Hotel	Kowloon City	494	Under Lease
Regal Riverside Hotel	Shatin	1,147	Under Lease
		3,893	
<i>Select-service hotels:</i>			
iclub Wan Chai Hotel	Wan Chai	99	Self-operated
iclub Sheung Wan Hotel	Sheung Wan	248	Under Lease
iclub Fortress Hill Hotel	Fortress Hill	338	Under Lease
iclub To Kwa Wan Hotel	To Kwa Wan	340	Under Lease
		1,025	
Total		4,918	

RENTAL AND REVENUE STRUCTURE

Initial Hotels - Rental Structure and Market Rental Packages

Pursuant to the Initial Hotels Lease Agreements, for the years 2011 to 2028 (for Regal Airport Hotel) and 2030 (for the other four Initial Hotels), respectively, the rental packages in respect of the Initial Hotels are determined on a yearly basis by a jointly appointed independent professional property valuer. The determinations comprise the amount of market rents (inclusive of the amount of base rent (the "Base Rent") for each Initial Hotel, the variable rent (the "Variable Rent") sharing percentage and the RHIHL Lessee's contributions to the furniture, fixtures and equipment (the "FF&E") reserve calculated as a percentage of total hotel revenue) to be applied for each of the Initial Hotels for the relevant respective years from 2011 to 2028 (for Regal Airport Hotel) and 2030 (for the other four Initial Hotels), respectively, together with the amount of the security deposit required (collectively, the "IH Market Rental Package").

IH Market Rental Package for 2023

An independent professional property valuer, Ms. Stella Ho, was jointly appointed by the lessors and the RHIHL Lessee in June 2022 to conduct rent reviews for the Initial Hotels for 2023. According to the determination of the IH Market Rental Package for 2023, the aggregate amount payable by the RHIHL Lessee as annual Base Rent was determined to be HK\$480.0 million, with Variable Rent continuing to be based on sharing 50% of the excess of the aggregate net property income (“NPI”) from the operations of the Initial Hotels over the aggregate annual Base Rent thereof in 2023. No FF&E reserve is required to be contributed by the RHIHL Lessee and the obligation for such contribution rests with the lessors.

The RHIHL Lessee has provided third party guarantees as security deposits for an aggregate amount of HK\$120.0 million, which is equivalent to three months’ aggregate Base Rent of the Initial Hotels for 2023. Details of the IH Market Rental Package for 2023 can be referred to in an announcement published by the REIT Manager on 25th November, 2022.

IH Market Rental Package for 2024

The market rental review for the Initial Hotels for 2024 is to be conducted by Ms. Stella Ho, who determined the IH Market Rental Package for 2023, and the IH Market Rental Package for 2024 will be determined and reported before the end of September 2023.

iclub Wan Chai Hotel - Revenue Structure

Hotel Portion

The hotel portion of iclub Wan Chai Hotel, which is under an owner-operate mode, is managed by the Hotel Manager under the Wan Chai Hotel Management Agreement. Gross hotel revenue and the associated operating costs and expenses are accounted for directly by Regal REIT.

Non-hotel Portions

iclub Wan Chai Hotel - non-hotel portions, comprised of a portion of the ground floor and the 27th to 29th floors of the premises, are let out to generate monthly rental income.

iclub Sheung Wan Hotel - Rental Structure and Market Rental Package

Pursuant to the SW Lease Agreement and the New SW Lease Agreement, the RHIHL Lessee is obligated to pay rentals in respect of the iclub Sheung Wan Hotel to Regal REIT for the period from 10th February, 2014 to 31st December, 2024, with fixed rentals for the first three years of the lease term.

After the lapse of the three initial lease years, market rental reviews by a jointly appointed independent professional property valuer take place annually for each of the remaining periods of the lease term to determine the market rental components (comprising the Base Rent, Variable Rent and lessee’s contribution to the FF&E reserve) together with the amount of the security deposit required (collectively, the “SW Market Rental Package”).

SW Market Rental Package for 2023

The same independent professional property valuer, Ms. Stella Ho, was jointly appointed in June 2022 to conduct a rent review for the iclub Sheung Wan Hotel for 2023. According to the determination of the SW Market Rental Package for 2023, the annual Base Rent payable by the RHIHL Lessee is HK\$32.0 million, with Variable Rent to be based on 50% of the excess of the NPI over the annual Base Rent. No FF&E reserve is required to be contributed by the RHIHL Lessee and the obligation for such contribution rests with the lessor.

The RHIHL Lessee has provided a third party guarantee as a security deposit for an amount of HK\$8.1 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Sheung Wan Hotel for 2023. Details of the SW Market Rental Package for 2023 can be referred to in an announcement published by the REIT Manager on 25th November, 2022.

SW Market Rental Package for 2024

The market rental review for the iclub Sheung Wan Hotel for 2024 is to be conducted by Ms. Stella Ho, who determined the SW Market Rental Package for 2023, and the SW Market Rental Package for 2024 will be determined and reported before the end of September 2023.

iclub Fortress Hill Hotel - Rental Structure and Market Rental Package

Pursuant to the FH Lease Agreement and the New FH Lease Agreement, the RHIHL Lessee is obligated to pay rentals in respect of the iclub Fortress Hill Hotel to Regal REIT for the period from 28th July, 2014 to 31st December, 2024, with fixed rentals for the first three years of the lease term.

After the lapse of the three initial lease years, market rental reviews by a jointly appointed independent professional property valuer take place annually for each of the remaining periods of the lease term to determine the market rental components (comprising the Base Rent, Variable Rent and lessee's contribution to the FF&E reserve) together with the amount of the security deposit required (collectively, the "FH Market Rental Package").

FH Market Rental Package for 2023

The same independent professional property valuer, Ms. Stella Ho, was jointly appointed in June 2022 to conduct a rent review for the iclub Fortress Hill Hotel for 2023. According to the determination of the FH Market Rental Package for 2023, the annual Base Rent payable by the RHIHL Lessee is HK\$30.0 million, with Variable Rent to be based on 50% of the excess of the NPI over the annual Base Rent. No FF&E reserve is required to be contributed by the RHIHL Lessee and the obligation for such contribution rests with the lessor.

The RHIHL Lessee has provided a third party guarantee as a security deposit for an amount of HK\$7.8 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Fortress Hill Hotel for 2023. Details of the FH Market Rental Package for 2023 can be referred to in an announcement published by the REIT Manager on 25th November, 2022.

FH Market Rental Package for 2024

The market rental review for the iclub Fortress Hill Hotel for 2024 is to be conducted by Ms. Stella Ho, who determined the FH Market Rental Package for 2023, and the FH Market Rental Package for 2024 will be determined and reported before the end of September 2023.

iclub To Kwa Wan Hotel - Rental Structure

Pursuant to the TKW Lease Agreement and its supplemental deed, the RHIHL Lessee is obligated to pay rentals in respect of the iclub To Kwa Wan Hotel to Regal REIT for the period from 4th September, 2017 to 31st December, 2027, with fixed rentals for the first five years of the lease term.

Regal REIT receives annual fixed rentals for the leasing of the iclub To Kwa Wan Hotel for the initial five years up to 3rd September, 2022 at HK\$54.4 million, HK\$57.8 million, HK\$61.2 million, HK\$64.6 million and HK\$68.0 million, respectively.

After the lapse of the initial five years of the lease term, annual rent reviews by a jointly appointed independent professional property valuer take place for each of the remaining periods of the lease term from 4th September, 2022 to 31st December, 2023, from 1st January, 2024 to 31st December, 2024, from 1st January, 2025 to 31st December, 2025, from 1st January, 2026 to 31st December, 2026 and from 1st January, 2027 to 31st December, 2027 to determine the market rental components (comprising the Base Rent, Variable Rent and the lessee's contribution to the FF&E reserve) together with the amounts of security deposits required (collectively, the "TKW Market Rental Package").

TKW Market Rental Package for 2022/23

The same independent professional property valuer, Ms. Stella Ho, was jointly appointed in March 2022 to conduct the first rent review for the iclub To Kwa Wan Hotel for the period from 4th September, 2022 to 31st December, 2023 (the "TKW 2022/23 Lease Year"). According to the determination of the TKW Market Rental Package for the TKW 2022/23 Lease Year, the pro-rated Base Rent payable by the RHIHL Lessee for the first period of the TKW 2022/23 Lease Year (from 4th September, 2022 to 31st December, 2022) is HK\$8.775 million, while the Base Rent for the second period of the TKW 2022/23 Lease Year (from 1st January, 2023 to 31st December, 2023) is HK\$30.0 million, with Variable Rent to be based on 50% of the excess of the NPI over the Base Rent and no FF&E reserve is required to be contributed by the RHIHL Lessee and the obligation for such contribution rests with the lessor for the whole period of the TKW 2022/23 Lease Year.

The RHIHL Lessee is required to provide a third party guarantee as a security deposit for an amount of HK\$7.0 million (for the first period of the TKW 2022/23 Lease Year) and HK\$7.8 million (for the second period of the TKW 2022/23 Lease Year). Details of the TKW Market Rental Package for the TKW 2022/23 Lease Year can be referred to in an announcement published by the REIT Manager on 27th May, 2022.

TKW Market Rental Package for 2024

The market rental review for the iclub To Kwa Wan Hotel for 2024 is to be conducted by Ms. Stella Ho, who determined the TKW Market Rental Package for 2022/23, and the TKW Market Rental Package for 2024 will be determined and reported before the end of September 2023.

Furniture, Fixtures & Equipment Reserve

Regal REIT is obligated under the respective Initial Hotels Lease Agreements, the Wan Chai Hotel Management Agreement, the New SW Lease Agreement, the New FH Lease Agreement and the TKW Lease Agreement and its supplemental deed to maintain a reserve to fund expenditures for replacements of FF&E in the respective hotels during the Interim Period. Pursuant to the TKW Lease Agreement, the RHIHL Lessee is required to fund the actual costs of any replacements and/or additional FF&E in the iclub To Kwa Wan Hotel for the first five years of the lease term.

During the Interim Period, Regal REIT contributed amounts equal to 2% of the total hotel revenue (i.e. the total of room revenue, food and beverage revenue and/or other income of the hotel properties) for each month and, as a result, HK\$12.2 million was contributed to the FF&E reserve with corresponding expenditures of HK\$12.2 million being recorded for the purposes intended.

Capital Additions Projects

As an ongoing initiative, Regal REIT invests in capital addition projects for continuous upgrade on the quality and standards of the rooms and facilities for its hotel properties. Regal REIT undertakes, in addition to the FF&E reserve, the funding of capital addition projects with the objective of improving portfolio competitiveness and product offerings to enhance income generating capabilities, profitability of the hotel property portfolio and enable special utilisations. Other enhancement projects may also be conducted to comply with updated licensing and building requirements or to conform to legislation enactments and standards from time to time.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The results of the Group for the Interim Period are set out in the condensed consolidated financial statements.

Hotel Industry Conditions in Hong Kong

Visitor Arrivals to Hong Kong, 1H 2023 versus 1H 2022¹

Visitors to Hong Kong by Geographical Regions	1H 2023 (% of total visitors)	1H 2023 (No. of visitors)	1H 2022 (No. of visitors)	Variance (No. of visitors)	Variance (%)
Mainland China	78.5%	10,110,750	61,957	10,048,793	16,219.0%
South & Southeast Asia	7.0%	905,206	4,058	901,148	22,206.7%
North Asia	1.7%	218,107	667	217,440	32,599.7%
Taiwan	2.4%	311,360	1,564	309,796	19,807.9%
Europe, Africa & the Middle East	2.7%	345,656	3,237	342,419	10,578.3%
The Americas	2.5%	321,698	2,581	319,117	12,364.1%
Australia, New Zealand & South Pacific	0.8%	102,572	563	102,009	18,118.8%
Macau SAR/Not identified	4.4%	568,530	1,377	567,153	41,187.6%
Totals	100%	12,883,879	76,004	12,807,875	16,851.6%
Overnight visitors included in above	51.1%	6,577,835	73,387	6,504,448	8,863.2%

During the first half of 2023, the visitor arrival numbers reported a significant increase of 12.8 million which was due to the border reopening and lifting all COVID-19 travel restrictions, representing an increase of 16,851.6% year-on-year due to the low comparative base of last year.

Mainland China visitors increased by 16,219.0%, reaching 10.1 million and accounting for 78.5% of the total arrivals to Hong Kong during the period.

Arrivals from short-haul markets comprising other Asian regions (including North Asia, South & Southeast Asia, Taiwan and Macau SAR), recorded an increase of 26,031.0%, aggregating to 2.0 million and representing 15.5% of the total visitor arrivals to Hong Kong.

Similarly, visitors from long-haul markets also recorded a growth. Visitor arrivals increased by 11,965.9%, with total arrivals aggregating to 769,926. Visitors from the Americas recorded an increase of 12,364.1%, and, thereby, taking up 2.5% of total visitors. Arrivals from the Europe, Africa and the Middle East markets also recorded an increase of 10,578.3%, with the visitor numbers reaching 345,656 or 2.7% of total arrivals.

During the period, overnight staying visitors amounted to 6,577,835, representing 51.1% of total arrivals, with an increase of 8,863.2% as compared to the same period last year.

¹ Source: Research, Hong Kong Tourism Board, "Visitor Arrival Statistics – Jun 2023", July 2023; "Visitor Arrival Statistics – Jun 2022", July 2022; the REIT Manager

Review of Hotel Rooms Supply in Hong Kong

During the first quarter of 2023, the hotel room supply in Hong Kong reported an increase of 49 units, reflecting a mild growth of 0.1% from 89,205 to 89,254 rooms. During the period, the number of hotel properties maintained at 319 without any change. By the end of 2023, it is estimated that the number of hotel properties will increase by 7 to 326 or a growth of 2.2% and the hotel room supply will reach 90,573 (FY2022: 89,205 units), for an anticipated growth of around 1.5% over the previous year.²

Industry Performance

Room Occupancy Rates, Average Room Rates and RevPAR (Revenue per available room) of the different categories of hotels are summarized below.

Category	Hong Kong Hotel Market Performance (1H 2023 versus 1H 2022) ³					
	Room Occupancy Rates		Average Room Rates		RevPAR	
	1H 2023	1H 2022	1H 2023	1H 2022	1H 2023	1H 2022
	%	%	HK\$	HK\$	HK\$	HK\$
High Tariff A	73	54	2,218	1,643	1,619	887
High Tariff B	83	69	1,013	793	841	547
Medium Tariff	80	63	667	676*	534	426*
All Hotels	80	63	1,299	1,037*	1,039	653

* Revised figures by the Hong Kong Tourism Board

During the first half of 2023, there was significant increase in the number of visitor arrivals, due to lifting of travel restrictions and border reopening. The overall hotel occupancy rate improved to 80.0%, which was up by 17.0 percentage points year-on-year, while the industry-wide average room rate also improved by 25.3% to HK\$1,299 per night. Both factors contributed to an increase to the hotel industry's RevPAR by about HK\$386 or improved by 59.1% year-on-year.

Performance Highlights of Regal REIT

Regal REIT currently has an aggregate of 4,918 guestrooms and suites in nine hotel properties, with a total gross floor area of approximately 236,763 square meters, that are strategically located in Hong Kong.

The financial performance of Regal REIT with regard to operating results and net asset value rely on the underlying performance of the respective hotel businesses operated by the RHIHL Lessee and the self-operated iclub Wan Chai Hotel, all under the management of the Hotel Manager. The lease rentals provide secured income protection while Regal REIT will still be eligible to earn variable rent for the Initial Hotels, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel from sharing of the respective excess NPIs over the base rents.

2 Source: Research, Hong Kong Tourism Board, "Hotel Supply Situation – as at Mar 2023", June 2023; the REIT Manager.

3 Source: Research, Hong Kong Tourism Board, "Hotel Room Occupancy Report – Jun 2023", July 2023; the REIT Manager.


The five Initial Hotels have all managed to achieve steadily improving performance after the full reopening of the borders with Mainland China and the lifting of all anti-pandemic measures early this year. As three of the Initial Hotels, namely, the Regal Airport Hotel, the Regal Kowloon Hotel and the Regal Oriental Hotel were operating as quarantine hotels under the government quarantine scheme during the first six months of 2022 and, hence, their operating results for the two comparative periods are not directly comparable. With respect to the other two Initial Hotels, namely, the Regal Hongkong Hotel and the Regal Riverside Hotel, they both achieved satisfactory improvements in their operating performance year-on-year, with their average RevPAR having increased at a level above the industry average. However, due to the different revenue structure when three of the Initial Hotels were operating as quarantine hotels in 2022, the aggregate net operating income of the five Initial Hotels as a whole for the Interim Period was below the level attained in the corresponding period last year.

Likewise, as the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel were operating as quarantine hotels during the first half of 2022, albeit these two iclub Hotels have operated satisfactorily during the Interim Period, their operating results were lower than those attained in the comparative period in 2022. As for the iclub Sheung Wan Hotel and the iclub Wan Chai Hotel, they both managed to achieve improvements in RevPAR year-on-year that exceeded the industry average.

Performance of the Initial Hotels

Total hotel revenue, gross operating profit and NPI and statistics for the combined Initial Hotels for 1H 2023 versus 1H 2022 are set out below.

	1H 2023	1H 2022	Variance	Variance
	HK\$'million	HK\$'million	HK\$'million	%
Operating Results				
Room revenue	369.4	487.0	(117.6)	(24.1%)
Food and beverage revenue	136.3	94.7	41.6	43.9%
Other income	8.0	21.8	(13.8)	(63.3%)
	<hr/>	<hr/>		
Total hotel revenue	513.7	603.5	(89.8)	(14.9%)
Operating expenses	(377.4)	(308.0)	(69.4)	(22.5%)
	<hr/>	<hr/>		
Gross operating profit	136.3	295.5	(159.2)	(53.9%)
Other expenses	(20.8)	(23.6)	2.8	11.9%
Net rental income	20.7	19.1	1.6	8.4%
	<hr/>	<hr/>		
Net property income	136.2	291.0	(154.8)	(53.2%)
	<hr/> <hr/>	<hr/> <hr/>		
Statistics				
Average room rate	HK\$784.73	HK\$1,005.18	(HK\$220.45)	(21.9%)
Occupancy rate	66.8%	68.8%	(2.0%)	(2.9%)
RevPAR	HK\$524.22	HK\$691.05	(HK\$166.83)	(24.1%)
Total available rooms nights	704,633	704,633	—	—
Occupied room nights	470,715	484,432	(13,717)	(2.8%)



Total hotel revenue for the Initial Hotels recorded a combined result of HK\$513.7 million, as compared to the HK\$603.5 million for the same period last year, posting a decrease of HK\$89.8 million or 14.9%. Gross operating profit was HK\$136.3 million as compared to HK\$295.5 million for the same period last year. As a result, the NPI was HK\$136.2 million, representing a decrease of HK\$154.8 million.

For the period under review, the average occupancy of the Initial Hotels attained a combined 66.8% (1H2022: 68.8%). The average room rate recorded a decrease of 21.9% to HK\$784.73 (1H2022: HK\$1,005.18). As a result, the RevPAR of the Initial Hotels was HK\$524.22 (1H2022: HK\$691.05), representing a decrease of 24.1% year-on-year.

Base Rent

According to the IH Market Rental Package for 2023, the prevailing aggregate base rent for 2023 was HK\$480.0 million. Regal REIT received Base Rent in the form of cash for each Initial Hotel on a monthly basis. During the Interim Period, Regal REIT received aggregate Base Rent of HK\$240.0 million.

Variable Rent

Regal REIT is entitled to receive Variable Rent through the sharing of aggregate profits from the Initial Hotels' operations over the Base Rent payments. For the period under review, as the aggregate NPI of HK\$136.2 million from hotel operations of the Initial Hotels was below the pro-rated base rent of HK\$240.0 million, no variable rent was earned.

Performance of iclub Wan Chai Hotel

During the period under review, the average occupancy rate of iclub Wan Chai Hotel was 94.4% with an average room rate of HK\$803.67 or an increase of 64.7% from the HK\$488.01 as reported in the same period last year.

For the six months ended 30th June, 2023, iclub Wan Chai Hotel - hotel portion contributed gross hotel revenue of HK\$13.9 million and incurred operating costs and expenses amounting to HK\$7.8 million. For the non-hotel portions comprising retail and commercial premises, rental income of HK\$2.8 million was generated under the leases for the period under review.

Performance of iclub Sheung Wan Hotel

During the Interim Period, the iclub Sheung Wan Hotel achieved an overall occupancy rate of 92.66%, while the average daily room rate of approximately HK\$679.36 represented an increase of 46.5% over the same period last year.

Base Rent

According to the SW Market Rental Package for 2023, Regal REIT received Base Rent in the form of cash on a monthly basis and in the Interim Period thereby earned and received HK\$16.0 million.

Variable Rent

Regal REIT is entitled to receive Variable Rent through the sharing of the excess NPI from the iclub Sheung Wan Hotel's operations over the Base Rent. During the Interim Period, as the NPI from hotel operations of the iclub Sheung Wan Hotel was HK\$13.7 million and, therefore, no Variable Rent was earned.

Performance of iclub Fortress Hill Hotel

During the Interim Period, the iclub Fortress Hill Hotel achieved an occupancy rate of 84.16% with an average daily room rate of approximately HK\$536.86, a decrease of HK\$711.27 or 57.0% over the same period last year.

Base Rent

According to the FH Market Rental Package for 2023, Regal REIT received Base Rent in the form of cash on a monthly basis and in the Interim Period, thereby earned and received HK\$15.0 million.

Variable Rent

Regal REIT is entitled to receive Variable Rent through the sharing of the excess NPI from the iclub Fortress Hill Hotel's operations over the Base Rent. During the Interim Period, the NPI from hotel operations of the iclub Fortress Hill Hotel was HK\$11.9 million and, therefore, no Variable Rent was earned.

Performance of iclub To Kwa Wan Hotel

During the Interim Period, the iclub To Kwa Wan Hotel achieved an overall occupancy rate of 83.92% with an average daily room rate of approximately HK\$504.14 representing a decrease of 59.8% over the designated quarantine hotel period last year.

Base Rent

According to the TKW Market Rental Package for the second period of the TKW 2022/23 Lease Year (from 1st January, 2023 to 31st December, 2023), Regal REIT received Base Rent in the form of cash on a monthly basis. During the Interim Period, Regal REIT earned and received Base Rent of HK\$15.0 million.

Variable Rent

Regal REIT is entitled to receive Variable Rent through the sharing of the excess NPI from the iclub To Kwa Wan Hotel's operations over the Base Rent. During the Interim Period, the NPI from hotel operations of the iclub To Kwa Wan Hotel was HK\$10.2 million and no Variable Rent was earned as the NPI fell short of the Base Rent.

Net Rental and Hotel Income

An analysis of the net rental and hotel income for the Interim Period compared to the corresponding period in 2022 is set out below.

	Six months ended 30th June, 2023		Six months ended 30th June, 2022	
	HK\$'million	%	HK\$'million	%
Initial Hotels				
Base Rent	240.0	79.0	237.5	68.3
Variable Rent	—	—	26.8	7.7
Other income	1.3	0.4	1.1	0.3
iclub Sheung Wan Hotel				
Rental income	16.0	5.3	13.5	3.9
iclub Fortress Hill Hotel				
Rental income	15.0	4.9	27.3	7.9
iclub To Kwa Wan Hotel				
Rental income	15.0	4.9	30.3	8.7
iclub Wan Chai Hotel				
Gross hotel revenue	13.9	4.6	7.8	2.2
Rental income	2.8	0.9	3.3	1.0
Gross rental and hotel income	304.0	100.0	347.6	100.0
Property operating expenses	(1.9)	(0.6)	(1.7)	(0.5)
Hotel operating expenses	(7.8)	(2.6)	(5.5)	(1.6)
Net rental and hotel income	294.3	96.8	340.4	97.9

During the Interim Period, net rental and hotel income represented 96.8% of the gross rental and hotel income after the deduction of property and hotel operating expenses. The management services of the hotel properties are provided by the Hotel Manager under the relevant hotel management agreements with respect to the Initial Hotels, iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel.

Net Assets Attributable to Unitholders

As at 30th June, 2023, net assets attributable to Unitholders amounted to HK\$12,886.9 million (31st December, 2022: HK\$12,807.9 million), representing a net asset value (“NAV”) per Unit attributable to Unitholders of HK\$3.956, which was above the NAV of HK\$3.932 per Unit as at 31st December, 2022, mainly due to the slight increase in the fair value of the property portfolio.

Valuation of the Property Portfolio

As at 30th June, 2023, Regal REIT’s overall property portfolio was valued at HK\$23,689.0 million (31st December, 2022: HK\$23,553.0 million). The property portfolio is comprised of (i) the five Initial Hotels, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel, the iclub To Kwa Wan Hotel and the non-hotel portions of the iclub Wan Chai Hotel that are classified as investment properties; and (ii) the owner-operated hotel portion of the iclub Wan Chai Hotel which is classified as property, plant and equipment.

Valuations of the properties as at 30th June, 2023 and 31st December, 2022 are tabulated below.

Property	Location	30 Jun 2023 Valuation HK\$ million	31 Dec 2022 Valuation HK\$ million	% Change
<i>Initial Hotels:</i>				
Regal Airport Hotel	Lantau Island	1,580	1,710	-7.6%
Regal Hongkong Hotel	HK Island	4,288	4,250	0.9%
Regal Kowloon Hotel	Kowloon	5,908	5,808	1.7%
Regal Oriental Hotel	Kowloon	1,800	1,790	0.6%
Regal Riverside Hotel	New Territories	4,988	4,920	1.4%
		18,564	18,478	0.5%
<i>iclub Hotels:</i>				
iclub Wan Chai Hotel	HK Island	804	800	0.5%
iclub Sheung Wan Hotel	HK Island	1,499	1,472	1.8%
iclub Fortress Hill Hotel	HK Island	1,512	1,503	0.6%
iclub To Kwa Wan Hotel	Kowloon	1,310	1,300	0.8%
Overall property portfolio		23,689	23,553	0.6%

The valuations of the property portfolio as at 30th June, 2023 were conducted by Colliers International (Hong Kong) Limited (“Colliers”), the principal valuer of Regal REIT appointed by the Trustee for a term of three years commencing from December 2021 pursuant to the provisions of the Code on Real Estate Investment Trusts (the “REIT Code”).

Colliers, as the independent professional property valuer, assessed the market values of the property portfolio subject to the lease agreements, hotel operations and the hotel management agreements and in accordance with “The HKIS Valuation Standards (2020 Edition)”, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the REIT Code. Colliers used the discounted cash flow (“DCF”) method based on key assumptions such as hotel room occupancies, hotel average room rates, terminal capitalisation rates and discount rates. The direct comparison approach was also used as a check on the valuation derived from the DCF method.

DISTRIBUTABLE INCOME AND DISTRIBUTION POLICY

Pursuant to the Trust Deed, Regal REIT is required to ensure that the total amount distributed to Unitholders shall not be less than 90% of its total distributable income for each financial year and the current policy of the REIT Manager is to comply with such requirement. The amount of any distribution for the interim period of each financial year is at the discretion of the REIT Manager.

Interim Distribution for 2023

There is an adjusted loss of HK\$19.4 million for the Interim Period, the Board of Directors of the REIT Manager has therefore decided not to declare an interim distribution for the Interim Period (2022 interim distribution: HK\$0.051 per Unit).

FINANCIAL REVIEW AND FINANCING STRATEGY

The REIT Manager has continued to adopt a prudent approach to ensure that the leverage ratios do not exceed thresholds prescribed under the REIT Code and the financial covenants of the relevant loan facility agreements.

Loan Financing

As at 30th June, 2023, Regal REIT's loan facilities aggregating HK\$10,420.0 million, with varying maturity terms, were comprised of: (a) term and revolving loan facilities of up to HK\$5,000.0 million secured by four of the five Initial Hotels; (b) a term loan facility of HK\$2,900.0 million secured by Regal Kowloon Hotel; (c) a term loan facility of HK\$405.0 million secured by the iclub Wan Chai Hotel; (d) term and revolving loan facilities of up to HK\$790.0 million secured by the iclub Sheung Wan Hotel; (e) term and revolving loan facilities of up to HK\$704.0 million secured by the iclub Fortress Hill Hotel; and (f) a term loan facility of HK\$621.0 million secured by the iclub To Kwa Wan Hotel.

Financing for the Initial Hotels

The facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$500.0 million (the “2021 IH Facilities”), concluded on 10th August, 2021 through Regal REIT’s wholly-owned subsidiaries, were secured by four of the five Initial Hotels, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel. The 2021 IH Facilities have a term of five years and carry interest based on Hong Kong Interbank Offered Rate (HIBOR). As at 30th June, 2023, the 2021 IH Facilities had an outstanding amount of HK\$4,882.5 million, representing the full amount of the term loan facility and an amount of HK\$382.5 million under the revolving loan facility.

On 8th March, 2018, Regal REIT arranged, through a wholly-owned subsidiary, 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 bore HIBOR-based interest and had a term of five years to March 2023. In late June 2022, Regal REIT concluded a 5-year term loan facility of HK\$2,950.0 million (the “2022 RKH Facility”) with a new lender, similarly secured by the Regal Kowloon Hotel, which was used to refinance the 2018 RKH Facility. The 2022 RKH Facility carries interest based on HIBOR and has loan maturity in June 2027. As at 30th June, 2023, the outstanding amount of the 2022 RKH Facility was HK\$2,900.0 million, after an instalment repayment of HK\$50.0 million in June 2023, representing the full amount of the term loan facility.

Financing for iclub Wan Chai Hotel

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

Financing for iclub Sheung Wan Hotel

On 19th October, 2018, Regal REIT arranged, through a wholly-owned subsidiary, 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 and secured by the iclub Sheung Wan Hotel (the “2018 SW Facilities”). The 2018 SW Facilities bear HIBOR-based interest with a five-year term to October 2023. As at 30th June, 2023, the utilised amount of the 2018 SW Facilities was HK\$790.0 million, representing the full amount of the term loan and revolving loan facilities.

Financing for iclub Fortress Hill Hotel

On 29th November, 2018, Regal REIT arranged, through a wholly-owned subsidiary, 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) and secured by the iclub Fortress Hill Hotel (the “2018 FH Facilities”). The 2018 FH Facilities bear HIBOR-based interest and have a term of five years to November 2023. As at 30th June, 2023, the outstanding amount of the 2018 FH Facilities was HK\$704.0 million, representing the full amount of the term loan and revolving loan facilities.

Financing for iclub To Kwa Wan Hotel

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

Managing Fluctuations in Interest Rates

During the Interim Period, the HIBOR rates were on an upward trend, with the 1-month HIBOR rate fluctuating within a range of around 2.121% per annum to around 5.104% per annum⁴ and staying at 4.934% per annum as of 30th June, 2023. During the Interim Period, the interest cost components in respect of all the loan facilities of Regal REIT were subject to floating HIBOR-based interest rates. The REIT Manager will continue to monitor the interest rate trends and to assess any need to contain or hedge the exposure to the interest rate fluctuations.

Gearing and Cash

As at 30th June, 2023, the gearing ratio of Regal REIT was 42.8% (30th June, 2022: 43.0%), being the gross amount of the outstanding loans aggregating HK\$10,302.5 million, which took into account: (a) the 2021 IH Facilities of HK\$4,882.5 million; (b) the 2022 RKH Facility of HK\$2,900.0 million; (c) the 2019 WC Facility of HK\$405.0 million; (d) the 2018 SW Facilities of HK\$790.0 million; (e) the 2018 FH Facilities of HK\$704.0 million; and (f) the 2020 TKW Facility of HK\$621.0 million, as compared to the total gross assets of Regal REIT of HK\$24,048.4 million. The gearing ratio is below the maximum 50% permitted under the REIT Code.

As at 30th June, 2023, Regal REIT had a total of HK\$14.4 million in unrestricted and HK\$319.4 million in restricted cash balances and bank deposits, and unutilised revolving loan facilities of HK\$117.5 million. Regal REIT maintains adequate cash reserves and revolving loan facilities and receives timely payments of rental income to satisfy its financial commitments as well as working capital requirements on an on-going basis.

Pledged Assets

As at 30th June, 2023, all nine Regal REIT’s properties with an aggregate carrying value of HK\$23,689.0 million were pledged to secure bank loan facilities granted to Regal REIT.

⁴ Hong Kong Dollar HIBOR Fixings 1-Month: Bloomberg 2023.01.01 to 2023.06.30.

OTHER INFORMATION AND DISCLOSURES

PUBLIC FLOAT

As at 30th June, 2023, there were 3,257,431,189 Units in issue.

Based on information that is publicly available to the REIT Manager and as reported to the Directors of the REIT Manager, more than 25% of the issued Units were held by independent public Unitholders as at 30th June, 2023.

NEW UNITS ISSUED

There were no new Units allotted and issued during the Interim Period.

EMPLOYEES

Regal REIT is managed by the REIT Manager and the Trustee. By contracting out such services, Regal REIT does not employ any staff in its own right.

BUY-BACK, SALE OR REDEMPTION OF UNITS

There were no buy-backs, sales or redemptions of Units during the Interim Period.

MATERIAL ACQUISITIONS OR DISPOSALS OF REAL ESTATE

Regal REIT did not enter into any real estate acquisition or disposal transactions during the Interim Period.

OTHER INVESTMENTS

Regal REIT did not engage or participate in any Property Development and Related Activities (as defined in the REIT Code) nor invest in any Relevant Investments (as defined in the REIT Code) and any real estate other than Non-qualified Minority-owned Properties (as defined in the REIT Code), including in all Qualified Minority-owned Properties (as defined in the REIT Code), during the Interim Period.

The REIT Manager seeks to ensure good corporate governance through high levels of transparency, equal treatment of Unitholders, compliance with applicable laws and regulations and by appointing independent and well-qualified board members.

The REIT Manager has adopted a compliance manual for use in relation to the management and operation of Regal REIT (the “Compliance Manual”) (as may be amended from time to time) which sets out the key processes, internal control and systems and policies and procedures to guide operations and, thereby, set a high standard of corporate governance to ensure the relevant regulations and legislation are adhered to.

During the Interim Period, Regal REIT and the REIT Manager have complied with the provisions of the Compliance Manual and, where applicable, the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

AUTHORISATION STRUCTURE

Regal REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code and constituted by the Trust Deed.

The REIT Manager is licensed by the SFC under the SFO to conduct regulated activities related to asset management. During the period under review, Mr. Johnny Chen Sing Hung, Mr. Simon Lam Man Lim and Ms. Peony Choi Ka Ka have acted as the Responsible Officers of the REIT Manager.

The Trustee is registered as a trust company and is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

BOARD OF DIRECTORS OF THE REIT MANAGER

The board of directors of the REIT Manager (the “Board”) is responsible for overseeing the overall corporate governance of the REIT Manager and the day-to-day management of the REIT Manager’s affairs and the conduct of its business. The Board has established a framework for the management of Regal REIT, including systems of internal control and business risk management processes. The Board currently comprises two Executive Directors, four Non-executive Directors and four Independent Non-executive Directors. The Board has established three Board Committees with terms of reference, each of which is to assist the Board in supervising specific issues and functions of Regal REIT and the REIT Manager, and to report back to the Board their findings, decisions and recommendations.

DEALINGS IN SECURITIES OF REGAL REIT BY DIRECTORS OR THE REIT MANAGER

The REIT Manager has adopted the “Code Governing Dealings in Units by Directors or the REIT Manager” (the “Units Dealings Code”) governing dealings in the securities of Regal REIT by the Directors and the REIT Manager as set out in the Compliance Manual, on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”). The Units Dealings Code may be extended to senior executives, officers and other employees of the REIT Manager as the Board may determine. Following specific enquiries by the REIT Manager, the Directors of the REIT Manager and the REIT Manager have confirmed that they have complied with the required standards under the Model Code and the Units Dealings Code during the Interim Period.

CHANGE OF INFORMATION OF DIRECTORS

There is no change in the information of the Directors of the REIT Manager since the publication of the 2022 annual report of Regal REIT.

REVIEW OF INTERIM RESULTS

The Disclosure Committee and the Audit Committee of the REIT Manager have reviewed Regal REIT's condensed consolidated financial statements for the six months ended 30th June, 2023, including the accounting principles and practices adopted by Regal REIT, in conjunction with Regal REIT's external auditor. The review report of the external auditor is set out in the section "Report on Review of Interim Financial Information" contained in this Interim Report.

CONNECTED PARTY TRANSACTIONS

During the period under review, Regal REIT and the other companies or entities held or controlled by Regal REIT (collectively, the “Regal REIT Group”) entered into a number of continuing transactions with its connected persons (defined in paragraph 8.1 of the REIT Code), as listed below, which constitute connected party transactions of Regal REIT within the meaning of the REIT Code:

- (i) the REIT Manager and the other companies or entities held or controlled by Regal Hotels International Holdings Limited (“RHIHL”) (collectively, the “RHIHL Connected Persons Group”); and
- (ii) the Trustee and companies within the same group or otherwise “associated” with the Trustee (collectively, the “Trustee Connected Persons Group”).

RHIHL CONNECTED PERSONS GROUP

(a) Initial Hotels Lease Agreements

Regal REIT (via Bauhinia Hotels Limited, Cityability Limited, Gala Hotels Limited, Regal Riverside Hotel Limited and Ricobem Limited, the direct owners of the Initial Hotels, respectively, (collectively, the “Initial Hotel – Property Companies” and each referred to as the “Initial Hotel – Property Company”)) entered into separate Initial Hotels Lease Agreements with Favour Link International Limited (the “RHIHL Lessee”) in relation to the leasing of the Initial Hotels on 16th March, 2007 (as may be amended from time to time) with lease terms expired on 31st December, 2020. On 20th December, 2019, each of the Initial Hotel – Property Companies had entered into the supplemental lease agreement with the RHIHL Lessee to extend the leases (the “Lease Extensions/Amendments”) for the Regal Airport Hotel to 27th December, 2028 and the other four Initial Hotels, namely, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel, to 31st December, 2030, (together, the “Extended Period”), with the market rental packages for the Extended Period continuing to be determined annually by a jointly appointed independent professional property valuer. As a result, the total lease term of each Initial Hotels Lease Agreement is now from 30th March, 2007 to 27th December, 2028 (for Regal Airport Hotel) and 31st December, 2030 (for the other four Initial Hotels). The above-mentioned supplemental lease agreements were approved by the independent Unitholders at the extraordinary general meeting held on 15th January, 2020. References can be made to the related announcements dated 20th December, 2019 and 15th January, 2020 and the related circular to Unitholders dated 20th December, 2019, as published by the REIT Manager for further details of the Lease Extensions/Amendments. The RHIHL Lessee is a member of the RHIHL Connected Persons Group.

During the Interim Period, the cash market rental income and other income under the Initial Hotels Lease Agreements amounted to approximately HK\$244.6 million.

(b) Initial Hotels Management Agreements

Under the terms of each Initial Hotels Lease Agreement, the RHIHL Lessee has delegated the operation and management of the relevant Initial Hotel to Regal Hotels International Limited (the “Hotel Manager”) by entering into the Initial Hotels Management Agreement with the Hotel Manager for a term of twenty years from 16th March, 2007. The RHIHL Lessee and the Hotel Manager are both members of the RHIHL Connected Persons Group.

Each Initial Hotel – Property Company is also a party to the Initial Hotels Management Agreement on terms including that, upon the expiry or termination of any Initial Hotels Lease Agreement, the Hotel Manager will continue to manage the relevant Initial Hotel in accordance with the Initial Hotels Management Agreement.

(c) Initial Hotels Lease Guarantees

RHIHL, a member of the RHIHL Connected Persons Group, has guaranteed to pay all amounts from time to time owing or payable by the RHIHL Lessee to the Initial Hotel – Property Companies under the Initial Hotels Lease Agreements by entering into the lease guarantees (as may be amended from time to time) (the “Initial Hotels Lease Guarantees”). The Initial Hotels Lease Guarantees also contain indemnities in respect of all guaranteed liabilities. On 20th December, 2019, the supplemental lease guarantees in respect of each Initial Hotels were entered into with the Trustee and RHIHL to make consequential amendments in light of the Lease Extensions/Amendments, so that RHIHL’s obligation to maintain a third party guarantee will cover the Extended Period.

(d) Initial Hotels Deed of Trade Mark Licence

Regal International Limited, a member of the RHIHL Connected Persons Group, entered into a deed of trade mark licence with the REIT Manager and Regal REIT Group on 2nd March, 2007. Regal International Limited granted to the REIT Manager and each Initial Hotel – Property Company, inter alia, a non-exclusive and non-transferable licence to use its registered trade marks or service marks, in any jurisdiction where such marks are registered and free of any royalty, for the purpose of describing the ownership of each Initial Hotel and/or uses in connection with the business of each Initial Hotel.

(e) Wan Chai Hotel Management Agreement

On 20th December, 2019, Regal REIT (via Sonnix Limited (the “iclub Wan Chai Hotel – Property Company”)) entered into the Wan Chai Hotel Management Agreement with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of iclub Wan Chai Hotel for a term of ten years from 1st January, 2021 and expiring on 31st December, 2030 with a non-fault based early termination provision. The Wan Chai Hotel Management Agreement was approved by the independent Unitholders at the extraordinary general meeting held on 15th January, 2020. References can be made to the related announcements dated 20th December, 2019 and 15th January, 2020 and the related circular to Unitholders dated 20th December, 2019, as published by the REIT Manager for further details of the Wan Chai Hotel Management Agreement.

During the Interim Period, total management fees under the Wan Chai Hotel Management Agreement amounted to approximately HK\$0.6 million.

(f) New SW Lease Agreement

Regal REIT (via Tristan Limited (the “iclub Sheung Wan Hotel – Property Company”)) entered into the SW Lease Agreement in relation to the leasing of the iclub Sheung Wan Hotel with the RHIHL Lessee, a member of the RHIHL Connected Persons Group, on 10th February, 2014. The term of the SW Lease Agreement was designated to expire on 31st December, 2019, which is extendable at the option of Regal REIT for a further five years. On 17th May, 2019, pursuant to the terms of the SW Lease Agreement, the iclub Sheung Wan Hotel – Property Company (as the Lessor) exercised the option granted to it to extend the lease term for another five years to 31st December, 2024. On 18th November, 2019, the iclub Sheung Wan Hotel – Property Company and the RHIHL Lessee entered into the New SW Lease Agreement for the iclub Sheung Wan Hotel to formally effect the extension of the abovementioned 5-year lease term. Save for the extension of the lease term as mentioned above, all the other terms and conditions of the New SW Lease Agreement remained the same as those in the SW Lease Agreement. Reference can be made to the related announcement dated 17th May, 2019, as published by the REIT Manager for further details of the lease extension for the iclub Sheung Wan Hotel.

During the Interim Period, the market rental income under the New SW Lease Agreement amounted to approximately HK\$16.0 million.

(g) SW Lease Guarantee

Pursuant to a lease guarantee entered into on 10th February, 2014, RHIHL, a member of the RHIHL Connected Persons Group, has guaranteed to pay all amounts from time to time owing or payable by the RHIHL Lessee to the iclub Sheung Wan Hotel – Property Company under the New SW Lease Agreement.

(h) SW Hotel Management Agreement

Regal REIT (via the iclub Sheung Wan Hotel – Property Company) entered into the SW Hotel Management Agreement with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of iclub Sheung Wan Hotel for a 10-year term commencing on 10th February, 2014.

(i) New FH Lease Agreement

Regal REIT (via Wise Decade Investments Limited (the “iclub Fortress Hill Hotel – Property Company”)) entered into the FH Lease Agreement in relation to the leasing of the iclub Fortress Hill Hotel with the RHIHL Lessee, a member of the RHIHL Connected Persons Group, on 28th July, 2014. The term of the FH Lease Agreement was designated to expire on 31st December, 2019, which is extendable at the option of Regal REIT for a further five years. On 17th May, 2019, pursuant to the terms of the FH Lease Agreement, the iclub Fortress Hill Hotel – Property Company (as the Lessor) exercised the option granted to it to extend the lease term for another five years to 31st December, 2024. On 18th November, 2019, the iclub Fortress Hill Hotel – Property Company and the RHIHL Lessee entered into the New FH Lease Agreement for the iclub Fortress Hill Hotel to formally effect the extension of the abovementioned 5-year lease term. Save for the extension of the lease term as mentioned above, all the other terms and conditions of the New FH Lease Agreement remained the same as those in the FH Lease Agreement. Reference can be made to the related announcement dated 17th May, 2019, as published by the REIT Manager for further details of the lease extension for the iclub Fortress Hill Hotel.

During the Interim Period, the market rental income under the New FH Lease Agreement amounted to approximately HK\$15.0 million.

(j) FH Lease Guarantee

Pursuant to a lease guarantee entered into on 28th July, 2014, RHIHL, a member of the RHIHL Connected Persons Group, has guaranteed to pay all amounts from time to time owing or payable by the RHIHL Lessee to the iclub Fortress Hill Hotel – Property Company under the New FH Lease Agreement.

(k) FH Hotel Management Agreement

Regal REIT (via the iclub Fortress Hill Hotel – Property Company) entered into the FH Hotel Management Agreement with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of iclub Fortress Hill Hotel for a 10-year term commencing on 28th July, 2014.

(l) Tenancy Agreement

On 17th January, 2020, Regal REIT (via the iclub Wan Chai Hotel – Property Company), as landlord (the “Landlord”), entered into a tenancy agreement with Cheerview Limited, a member of the RHIHL Connected Persons Group, as tenant (the “RHIHL Tenant”), for the leasing of Shop Nos. A and B, G/F., No. 211 Johnston Road, Wanchai, Hong Kong (the “Premises”), which is part of the iclub Wan Chai Hotel, for a 3-year term commencing on 20th January, 2020 (the “Tenancy Agreement”) with the inclusion of a right for the RHIHL Tenant to early terminate the tenancy after a period of six months from 20th January, 2020 by serving a two months’ prior written notice, at a rental of HK\$130,000 per calendar month (exclusive of air-conditioning charges, management fees, government rates and other outgoing expenses) payable monthly in advance. Pursuant to the terms of the Tenancy Agreement, the RHIHL Tenant shall be entitled to an option to renew the Tenancy Agreement for a further three years from the date of expiry of the Tenancy Agreement at a market rent to be determined by the principal valuer of Regal REIT.

On 19th October, 2022, pursuant to the terms of the Tenancy Agreement, the RHIHL Tenant exercised the option granted to it to renew the tenancy of the Premises for a further term of three years commencing from 20th January, 2023 and expiring on 19th January, 2026 (both days inclusive), at a market rent of HK\$130,000 per calendar month (exclusive of air-conditioning charges, management fees, government rates and other outgoing expenses), as determined by the principal valuer of Regal REIT, payable monthly in advance. Save for the option to renew the tenancy term, all the other terms and conditions of the Tenancy Agreement will remain unchanged. References can be made to the related announcements dated 21st October, 2022 and 15th November, 2022, as published by the REIT Manager for further details of the renewal of the Tenancy Agreement. Subsequent to the end of the Interim Period, the RHIHL Tenant has served a written early termination notice to the Landlord and both parties agreed to early terminate the Tenancy Agreement with effect from 14th August, 2023 without any compensation.

During the Interim Period, total contractual lease income under the Tenancy Agreement amounted to approximately HK\$0.9 million.

(m) TKW Lease Agreement

Regal REIT (via Land Crown International Limited (the “iclub To Kwa Wan Hotel – Property Company”)) entered into the TKW Lease Agreement in relation to the leasing of the iclub To Kwa Wan Hotel with the RHIHL Lessee, a member of the RHIHL Connected Persons Group, on 4th September, 2017. The term of the TKW Lease Agreement expired on 3rd September, 2022, which is extendable at the option of Regal REIT for a further term to 31st December, 2027. On 29th December, 2021, pursuant to the terms of the TKW Lease Agreement, the iclub To Kwa Wan Hotel – Property Company (as the Lessor) exercised the option granted to it to extend the lease term for a further term, commencing from 4th September, 2022 and expiring on 31st December, 2027 (both days inclusive). On 8th June, 2022, the iclub To Kwa Wan Hotel – Property Company and the RHIHL Lessee entered into the supplemental deed amending the TKW Lease Agreement to formally effect the extension of the abovementioned lease term. Save for the extension of the lease term as mentioned above, all the other existing terms and conditions of the TKW Lease Agreement remain unchanged.

During the Interim Period, the contractual cash rental receipts under the TKW Lease Agreement amounted to approximately HK\$15.0 million.

(n) TKW Lease Guarantee

Pursuant to a lease guarantee entered into on 4th September, 2017, RHIHL, a member of the RHIHL Connected Person Group, has guaranteed to pay all amounts from time to time owing or payable by the RHIHL Lessee to the iclub To Kwa Wan Hotel – Property Company under the TKW Lease Agreement.

(o) TKW Hotel Management Agreement

Regal REIT (via the iclub To Kwa Wan Hotel – Property Company) entered into the TKW Hotel Management Agreement with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of iclub To Kwa Wan Hotel for a 10-year term commencing on 4th September, 2017.

REIT Manager Fees

Regal Portfolio Management Limited, a member of the RHIHL Connected Persons Group, was appointed as the REIT Manager of Regal REIT. REIT Manager fees aggregating approximately HK\$44.3 million for such services rendered during the Interim Period were settled and/or are to be settled pursuant to the provisions of the Trust Deed.

TRUSTEE CONNECTED PERSONS GROUP

Both the REIT Manager and the Trustee have confirmed that, other than those banking transactions of which the members of the Trustee Connected Persons Group acted as custodian and/or agent and conducted agency transactions with Regal REIT Group, there were no corporate finance transactions or other connected party transactions with the Trustee Connected Persons Group during the Interim Period.

Trustee Fees

DB Trustees (Hong Kong) Limited, a member of the Trustee Connected Persons Group, was appointed as the Trustee of Regal REIT. Trustee fees aggregating approximately HK\$1.8 million were recorded during the Interim Period for services rendered in this capacity.

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors of the REIT Manager have reviewed all relevant connected party transactions above and were satisfied that those transactions were entered into:

- (a) in the ordinary and usual course of business of Regal REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable to Regal REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements and deeds and the REIT Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the best interests of Unitholders as a whole.

DISCLOSURE OF INTERESTS

The REIT Code requires Connected Persons (as defined in paragraph 8.1 of the REIT Code) of Regal REIT to disclose their interests in the Units. As well, the provisions of Part XV of the SFO are deemed by the Trust Deed to apply to the REIT Manager, the directors or the chief executives of the REIT Manager, and to persons interested in the Units.

HOLDINGS OF SUBSTANTIAL UNITHOLDERS

As at 30th June, 2023, the interests of the Substantial Unitholders (as defined in paragraph 8.1 of the REIT Code) (not being a director or chief executive of the REIT Manager) in Units, as recorded in the register (the "Register") required to be kept under the Trust Deed, were as follows:

Names of Substantial Unitholders	Total number of issued Units held	Approximate percentage of the issued Units as at 30th June, 2023 ^(x)
Century City International Holdings Limited ("CCIHL")	2,443,033,102 (Note i)	74.99%
Century City BVI Holdings Limited ("CCBVI")	2,443,033,102 (Notes i & ii)	74.99%
Paliburg Holdings Limited ("PHL")	2,440,346,102 (Notes iii & iv)	74.92%
Paliburg Development BVI Holdings Limited ("PDBVI")	2,440,346,102 (Notes iii & v)	74.92%
Regal Hotels International Holdings Limited ("RHIHL")	2,439,613,739 (Notes vi & vii)	74.89%
Regal International (BVI) Holdings Limited ("RBVI")	2,439,613,739 (Notes vi & viii)	74.89%
Complete Success Investments Limited	1,817,012,072 (Note ix)	55.78%
Great Prestige Investments Limited	373,134,326 (Note ix)	11.45%

Notes:

- (i) The interests in 2,443,033,102 Units held by each of CCIHL and CCBVI were the same parcel of Units, which were directly held by RBVI and wholly-owned subsidiaries of CCBVI, PDBVI and RBVI, respectively.
- (ii) CCBVI is a wholly-owned subsidiary of CCIHL and its interests in Units are deemed to be the same interests held by CCIHL.
- (iii) The interests in 2,440,346,102 Units held by each of PHL and PDBVI were the same parcel of Units, which were directly held by RBVI and wholly-owned subsidiaries of PDBVI and RBVI, respectively.

- (iv) PHL is a listed subsidiary of CCBVI, which held an approximately 62.28% shareholding interest in PHL as at 30th June, 2023, and its interests in Units are deemed to be the same interests held by CCBVI.
- (v) PDBVI is a wholly-owned subsidiary of PHL and its interests in Units are deemed to be the same interests held by PHL.
- (vi) The interests in 2,439,613,739 Units held by each of RHIHL and RBVI were the same parcel of Units, which were directly held by RBVI and its wholly-owned subsidiaries, respectively.
- (vii) RHIHL is a listed subsidiary of PDBVI, which held an approximately 69.25% shareholding interest in RHIHL as at 30th June, 2023, and its interests in Units are deemed to be the same interests held by PDBVI.
- (viii) RBVI is a wholly-owned subsidiary of RHIHL and its interests in Units are deemed to be the same interests held by RHIHL.
- (ix) These companies are wholly-owned subsidiaries of RBVI and their respective direct interests in Units are deemed to be the same interests held by RBVI.
- (x) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 30th June, 2023.

Save as disclosed herein, there were no other persons who, as at 30th June, 2023, had interests in Units which are required to be recorded in the Register.

HOLDINGS OF THE REIT MANAGER, DIRECTORS AND CHIEF EXECUTIVES OF THE REIT MANAGER

As at 30th June, 2023, the interests of the REIT Manager, directors and chief executives of the REIT Manager in Units, as recorded in the Register, were as follows:

Name of Director of the REIT Manager	Total number of issued Units held	Approximate percentage of the issued Units as at 30th June, 2023 ⁽ⁱⁱ⁾
LO Yuk Sui	2,443,033,102 (Note i)	74.99%

Notes:

- (i) The interests in 2,443,033,102 Units were the same parcel of Units held through CCIHL in which Mr. Lo Yuk Sui held approximately 67.43% shareholding interest as at 30th June, 2023.
- (ii) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 30th June, 2023.

Save as disclosed herein, as at 30th June, 2023, none of the REIT Manager, the Directors and the chief executives of the REIT Manager had any interests in Units, which are required to be recorded in the Register.

HOLDINGS OF THE OTHER CONNECTED PERSONS

After making reasonable enquiries and according to the information available to the REIT Manager, as at 30th June, 2023, the interests of the other Connected Persons of Regal REIT (other than Substantial Unitholders, the Directors or chief executives of the REIT Manager and the REIT Manager itself) were as follows:

Name of Unitholder	Total number of issued Units held	Approximate percentage of the issued Units as at 30th June, 2023 ⁽ⁱⁱ⁾
DBX Advisors LLC (Note i)	394,125	0.01%

Notes:

- (i) DBX Advisors LLC is an associate of the Trustee.
- (ii) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 30th June, 2023.

Save for the interests of the Substantial Unitholders, the Director of the REIT Manager and the associate of the Trustee (also being the Connected Persons of the Regal REIT) in Units as disclosed herein, the REIT Manager is not aware of any other Connected Persons of Regal REIT holding any Units.

PERFORMANCE TABLE

As at 30th June, 2023

	Notes	Six months ended 30th June, 2023	Six months ended 30th June, 2022	Six months ended 30th June, 2021	Six months ended 30th June, 2020	Six months ended 30th June, 2019
Net assets attributable to Unitholders (HK\$'million)		12,886.9	12,643.1	11,612.0	12,348.4	16,695.3
Net asset value per Unit attributable to Unitholders (HK\$)		3.956	3.881	3.565	3.791	5.125
The highest traded price during the period (HK\$)	1	1.39	1.52	1.78	2.01	2.52
The lowest traded price during the period (HK\$)		1.04	1.29	1.28	1.11	2.20
The highest discount of the traded price to net asset value per Unit attributable to Unitholders		73.71%	66.76%	64.10%	70.72%	57.07%
Distribution yield per Unit	2	N/A	3.95%	2.69%	4.92%	2.81%

Notes:

- The highest traded price during all the relevant periods was lower than the net asset value per Unit attributable to Unitholders reported at the end of those periods. Accordingly, no premium for the traded price to net asset value per Unit attributable to Unitholders is presented.
- This is not applicable as there is no interim distribution declared by the Board of Directors of the REIT Manager for the six months ended 30th June, 2023.
 - Distribution yield per Unit for the six months ended 30th June, 2022 was calculated by dividing the interim distribution per Unit of HK\$0.051 over the closing price of HK\$1.29 on the last trading day for the period. The calculation of the interim distribution per Unit is set out in the section "Distribution Statement" on page 40.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June, 2023

	Notes	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Revenue			
Gross rental revenue	4	290,139	339,818
Gross hotel revenue	4	13,872	7,797
		<u>304,011</u>	<u>347,615</u>
Property and hotel operating expenses		<u>(9,709)</u>	<u>(7,199)</u>
Net rental and hotel income	4	294,302	340,416
Interest income		1,184	186
Depreciation	10	(3,908)	(3,998)
Fair value changes on investment properties	11	120,029	444,256
REIT Manager fees	5	(44,295)	(44,346)
Trust, professional and other expenses	6	(3,641)	(3,908)
Finance costs - excluding distribution to Unitholders	7	<u>(260,854)</u>	<u>(85,346)</u>
PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS		102,817	647,260
Income tax credit/(expense)	8	<u>2,404</u>	<u>(34,184)</u>
PROFIT FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS		105,221	613,076
Finance costs - distribution to Unitholders		<u>(32,574)</u>	<u>(133,555)</u>
PROFIT FOR THE PERIOD, AFTER DISTRIBUTION TO UNITHOLDERS		<u>72,647</u>	<u>479,521</u>
EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS			
Basic and diluted	9	<u>HK\$0.032</u>	<u>HK\$0.188</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2023

	Notes	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
PROFIT FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS		105,221	613,076
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on revaluation of property	10	7,691	19,925
Income tax effect	20	(1,269)	(3,288)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		6,422	16,637
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		6,422	16,637
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS		111,643	629,713

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2023

	Notes	30th June, 2023 (unaudited) HK\$'000	31st December, 2022 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	608,000	604,000
Investment properties	11	23,081,000	22,949,000
Finance lease receivables	12	4,248	7,468
Total non-current assets		<u>23,693,248</u>	<u>23,560,468</u>
Current assets			
Accounts receivable	13	229	884
Prepayments, deposits and other receivables		7,094	6,500
Due from related companies	25(b)	1,142	2,747
Tax recoverable		6,468	5,871
Finance lease receivables	12	6,411	6,351
Restricted cash	14	319,364	124,354
Cash and cash equivalents	15	14,433	141,336
Total current assets		<u>355,141</u>	<u>288,043</u>
Total assets		<u>24,048,389</u>	<u>23,848,511</u>
Current liabilities			
Accounts payable	16	28,157	70,028
Deposits received		2,416	10,151
Due to related companies	25(b)	144,033	521
Other payables and accruals		51,182	60,775
Contract liabilities	17	638	1,096
Interest-bearing bank borrowings	19	2,545,475	5,727,031
Lease liabilities	18	6,411	6,351
Tax payable		9,984	6,726
Total current liabilities		<u>2,788,296</u>	<u>5,882,679</u>
Net current liabilities		<u>(2,433,155)</u>	<u>(5,594,636)</u>
Total assets less current liabilities		<u>21,260,093</u>	<u>17,965,832</u>

	Notes	30th June, 2023 (unaudited) HK\$'000	31st December, 2022 (audited) HK\$'000
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing bank borrowings	19	7,680,351	4,454,189
Lease liabilities	18	4,248	7,468
Deposits received		433	—
Deferred tax liabilities	20	688,128	696,311
Total non-current liabilities		8,373,160	5,157,968
Total liabilities, excluding net assets attributable to Unitholders			
		11,161,456	11,040,647
Net assets attributable to Unitholders			
		12,886,933	12,807,864
Number of Units in issue	21	3,257,431,189	3,257,431,189
Net asset value per Unit attributable to Unitholders	22	HK\$3.956	HK\$3.932

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the six months ended 30th June, 2023

	Units (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Property revaluation reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000
Net assets as at 1st January, 2023	8,432,356	15,876	189,477	4,170,155	12,807,864
Profit for the period	—	—	—	105,221	105,221
Other comprehensive income for the period:					
Gain on revaluation of property, net of tax	—	—	6,422	—	6,422
Total comprehensive income for the period, before distribution to Unitholders	—	—	6,422	105,221	111,643
Transfer of depreciation on hotel property	—	—	(839)	839	—
Finance costs - distribution to Unitholders	—	—	—	(32,574)	(32,574)
Net assets as at 30th June, 2023	<u>8,432,356</u>	<u>15,876</u>	<u>195,060</u>	<u>4,243,641</u>	<u>12,886,933</u>

For the six months ended 30th June, 2022

	Units (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Property revaluation reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000
Net assets as at 1st January, 2022	8,432,356	15,876	160,350	3,538,329	12,146,911
Profit for the period	—	—	—	613,076	613,076
Other comprehensive income for the period:					
Gain on revaluation of property, net of tax	—	—	16,637	—	16,637
Total comprehensive income for the period, before distribution to Unitholders	—	—	16,637	613,076	629,713
Transfer of depreciation on hotel property	—	—	(775)	775	—
Finance costs - distribution to Unitholders	—	—	—	(133,555)	(133,555)
Net assets as at 30th June, 2022	<u>8,432,356</u>	<u>15,876</u>	<u>176,212</u>	<u>4,018,625</u>	<u>12,643,069</u>

DISTRIBUTION STATEMENT

For the six months ended 30th June, 2023

		Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Profit for the period, before distribution to Unitholders		105,221	613,076
Adjustments:			
Difference in accounting rental income and contractual cash rental income		—	3,668
Amounts set aside for the furniture, fixtures and equipment reserve	(b)	(12,192)	(13,572)
Amortisation of debt establishment costs		13,106	11,390
Fair value changes on investment properties		(120,029)	(444,256)
Depreciation		3,908	3,998
Deferred tax charge/(credit)		(9,452)	8,783
Distributable income/(adjusted loss) for the period	(a)	(19,438)	183,087
Distribution per Unit	(a)	—	HK\$0.051

Notes:

- (a) Pursuant to the Trust Deed, Regal REIT is required to ensure that the total amount distributed to Unitholders shall not be less than 90% of Regal REIT's total distributable income as defined in the Trust Deed ("Total Distributable Income") for each financial year and the current policy of the REIT Manager is to comply with such requirement.

The amount of any distribution for the interim period of each financial year is at the discretion of the REIT Manager. The REIT Manager has decided not to declare an interim distribution for the six months ended 30th June, 2023 (six months ended 30th June, 2022: HK\$0.051 per Unit).

- (b) Amounts set aside by Regal REIT for the furniture, fixtures and equipment reserve (the "FF&E Reserve") with respect to Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, Regal Riverside Hotel (collectively, the "Initial Hotels" and each referred to as the "Initial Hotel"), iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel aggregated to HK\$12.2 million (six months ended 30th June, 2022: HK\$13.6 million).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2023

	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Net cash flows from operating activities	80,682	186,625
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(217)	(73)
Additions to investment properties	(11,971)	(5,744)
Principal portion of finance lease received	3,160	3,689
Decrease/(increase) in restricted cash	1,262	(7,586)
Increase in time deposit with an original maturity of more than three months	—	(3)
Net cash flows used in investing activities	(7,766)	(9,717)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings, net of debts establishment costs	267,500	3,073,750
Repayment of bank borrowings	(236,000)	(3,115,000)
Principal portion of lease payments	(3,160)	(3,689)
Distribution paid	(32,574)	(133,555)
Increase in restricted cash	(195,585)	(720)
Net cash flows used in financing activities	(199,819)	(179,214)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(126,903)	(2,306)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	141,336	44,152
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	14,433	41,846
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	14,433	51,849
Non-pledged time deposit with an original maturity of more than three months	—	(10,003)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	14,433	41,846

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2023

1. GENERAL

Regal Real Estate Investment Trust (“Regal REIT”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units (the “Units”) were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30th March, 2007. Regal REIT is governed by a trust deed (the “Trust Deed”) dated 11th December, 2006 (date of establishment), made between Regal Portfolio Management Limited (the “REIT Manager”) and DB Trustees (Hong Kong) Limited (the “Trustee”) (as amended and restated by the first amending and restating deed dated 23rd March, 2021) and the Code on Real Estate Investment Trusts (the “REIT Code”) issued by the Securities and Futures Commission (the “SFC”).

The principal activity of Regal REIT and its subsidiaries (collectively, the “Group”) is to own and invest in income-producing hotels, serviced apartments or commercial properties (including office premises) with the objectives of producing stable and growing distributions to the unitholders of Regal REIT (the “Unitholders”) and to achieve long-term growth in the net asset value per Unit.

The addresses of the registered office of the REIT Manager and the Trustee are Unit No. 2001, 20th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong and Level 60, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKASs”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. In addition, the condensed consolidated financial statements include applicable disclosures required by the REIT Code issued by the SFC.

2.2 Basis of preparation

The condensed consolidated financial statements have been prepared on the historical cost basis, except for property, plant and equipment and investment properties which have been measured at fair values. These condensed consolidated financial statements are presented in Hong Kong dollars, the functional currency of Regal REIT, and all values are rounded to the nearest thousand except when otherwise indicated.

As at 30th June, 2023, the Group's current liabilities exceeded its current assets by HK\$2,433,155,000. The net current liabilities position was mainly due to the term loans which mature within 12 months and the revolving loans that could be rolled-over on a monthly basis, which in aggregate amounted to HK\$2,547,500,000 and classified under current liabilities as at the end of the reporting period. Taking into account the stable operating cash inflows to be generated from rental income, the planned refinancing of the loan facilities maturing within the next twelve months and the Group's unutilised revolving loan facilities, the REIT Manager considers the Group has adequate resources to meet its liabilities, commitments and funding requirements as and when they fall due within one year from the end of the reporting period. Accordingly, the REIT Manager continues to adopt the going concern basis in preparing the condensed consolidated financial statements.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2023.

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

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1st January, 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1st January, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

Operating segments of the Group are identified on the basis of internal reports covering the components of the Group which are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to segments and assess their performance. Information reported to the Group's chief operating decision-maker, for the above-mentioned purposes, is mainly focused on the segment results related to the nature of properties, namely, the hotel properties and the mixed use property. For management purposes, the two reportable operating segments are (i) the hotel properties segment which invested in the Initial Hotels, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel; and (ii) the mixed use property segment which invested in the iclub Wan Chai Hotel and is made up of the hotel portion and non-hotel portions.

The operating segments of the Group for the six months ended 30th June, 2023 are as follows:

	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue			
Gross rental revenue	287,328	2,811	290,139
Gross hotel revenue	—	13,872	13,872
Total	<u>287,328</u>	<u>16,683</u>	<u>304,011</u>
Segment results	<u>285,741</u>	<u>8,561</u>	294,302
Fair value changes on investment properties	120,029	—	120,029
Depreciation	—	(3,908)	(3,908)
Interest income			1,184
REIT Manager fees			(44,295)
Trust, professional and other expenses			(3,641)
Finance costs - excluding distribution to Unitholders			<u>(260,854)</u>
Profit before tax and distribution to Unitholders			<u>102,817</u>

The operating segments of the Group for the six months ended 30th June, 2022 were as follows:

	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue			
Gross rental revenue	336,513	3,305	339,818
Gross hotel revenue	—	7,797	7,797
Total	<u>336,513</u>	<u>11,102</u>	<u>347,615</u>
Segment results			
	<u>335,097</u>	<u>5,319</u>	340,416
Fair value changes on investment properties	441,256	3,000	444,256
Depreciation	—	(3,998)	(3,998)
Interest income			186
REIT Manager fees			(44,346)
Trust, professional and other expenses			(3,908)
Finance costs - excluding distribution to Unitholders			(85,346)
Profit before tax and distribution to Unitholders			<u>647,260</u>

Segment assets and liabilities

As part of the Group's performance assessment, the fair values of investment properties and property, plant and equipment are reviewed by the Group's chief operating decision-maker.

As at 30th June, 2023, the Group's segment assets, comprised of the aggregate fair values of the investment properties and property, plant and equipment in the hotel properties segment and the mixed use property segment, amounted to HK\$22,885,000,000 (31st December, 2022: HK\$22,753,000,000) and HK\$804,000,000 (31st December, 2022: HK\$800,000,000), respectively.

Save as set out above, no other assets and liabilities are included in the assessment of the Group's segment performance.

Other segment information

	Six months ended 30th June, 2023		
	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Capital expenditures	<u>11,971</u>	<u>217</u>	<u>12,188</u>

	Six months ended 30th June, 2022		
	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Capital expenditures	<u>5,744</u>	<u>73</u>	<u>5,817</u>

Capital expenditures consist of additions to investment properties and property, plant and equipment.

Information about a major customer

For the six months ended 30th June, 2023, revenue of HK\$287,328,000 (six months ended 30th June, 2022: HK\$336,513,000) was derived from the lease of hotel properties to a single lessee which is a related company.

Geographical information

The Group's investment properties and property, plant and equipment are all located in Hong Kong.

4. NET RENTAL AND HOTEL INCOME

Revenue represents the gross rental revenue received and receivable from its investment properties, and gross hotel revenue during the period.

The net rental and hotel income represents the aggregate of:

- (a) Net rental income, being the gross rental revenue less property operating expenses; and
- (b) Net hotel income, being the gross hotel revenue less hotel operating expenses.

An analysis of the gross and net rental and hotel income is as follows:

	Notes	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Gross rental revenue			
Rental income			
Initial Hotels	(a)	240,000	264,251
iclub Wan Chai Hotel - Non-hotel portions		2,811	3,305
iclub Sheung Wan Hotel	(b)	16,000	13,500
iclub Fortress Hill Hotel	(c)	15,000	27,282
iclub To Kwa Wan Hotel	(d)	15,000	30,332
Other income		1,328	1,148
		<u>290,139</u>	<u>339,818</u>
Property operating expenses		<u>(1,910)</u>	<u>(1,735)</u>
Net rental income		<u>288,229</u>	<u>338,083</u>
Gross hotel revenue			
Hotel operating expenses	(f)	<u>(7,799)</u>	<u>(5,464)</u>
Net hotel income		<u>6,073</u>	<u>2,333</u>
Net rental and hotel income		<u>294,302</u>	<u>340,416</u>
Revenue from contracts with customers			
Gross hotel revenue	(e)	<u>13,872</u>	<u>7,797</u>
Revenue from other sources			
Gross rental income		<u>290,139</u>	<u>339,818</u>

Notes:

(a) An analysis of the Initial Hotels rental income is as follows:

	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Base Rent	240,000	237,500
Variable Rent	—	26,751
	<u>240,000</u>	<u>264,251</u>

(b) An analysis of the iclub Sheung Wan Hotel rental income is as follows:

	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Base Rent	16,000	13,500
Variable Rent	—	—
	<u>16,000</u>	<u>13,500</u>

(c) An analysis of the iclub Fortress Hill Hotel rental income is as follows:

	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Base Rent	15,000	13,500
Variable Rent	—	13,782
	<u>15,000</u>	<u>27,282</u>

(d) An analysis of the iclub To Kwa Wan Hotel rental income is as follows:

	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Contractual cash rental income	—	34,000
Difference in accounting rental income and contractual cash rental income	—	(3,668)
Base Rent	15,000	—
Variable Rent	—	—
	15,000	30,332

(e) Gross hotel revenue is recognised over time.

(f) Included subsidies of HK\$600,000 granted by the Government of the Hong Kong Special Administrative Region under the Anti-epidemic Fund for six months ended 30th June, 2022. There were no unfulfilled conditions related to these grants.

5. REIT MANAGER FEES

	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Base Fees	35,458	34,055
Variable Fees	8,837	10,291
	44,295	44,346

Under the Trust Deed, the REIT Manager is entitled to receive the following:

- a base fee (the "Base Fee") of currently 0.3% (subject to a maximum of 0.5%) per annum of the value of the deposited property of Regal REIT which is payable monthly (in the form of Units and/or cash) and subject to adjustments (in the form of cash) based on the value of the deposited property of Regal REIT as at the end of the reporting period for the relevant financial year; and
- a variable fee (the "Variable Fee") of currently 3% (subject to a maximum of 5%) per annum of the net property income for the relevant financial year as defined in the Trust Deed in respect of each Initial Hotel, iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel, which is payable annually.

For the financial years 2023 and 2022, the REIT Manager elected to receive its Base Fees and Variable Fees in the form of cash. Details of which can be referred to an announcement of Regal REIT published on 6th December, 2022.

6. TRUST, PROFESSIONAL AND OTHER EXPENSES

	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Auditor's remuneration	818	1,056
Legal and other professional fees	468	315
Trustee fees	1,817	1,739
Other expenses	538	798
	<u>3,641</u>	<u>3,908</u>

7. FINANCE COSTS – EXCLUDING DISTRIBUTION TO UNITHOLDERS

	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on interest-bearing bank borrowings	247,138	78,208
Amortisation of debt establishment costs	13,106	11,390
Interest expense on lease liabilities	117	176
	<u>260,361</u>	<u>89,774</u>
Others, net of compensation income	493	(4,428)
	<u>260,854</u>	<u>85,346</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June, 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Charge for the period	7,058	25,411
Overprovision in prior years	(10)	(10)
Deferred (note 20)	(9,452)	8,783
Total tax charge/(credit) for the period	<u>(2,404)</u>	<u>34,184</u>

9. EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The calculation of the basic earnings per Unit attributable to Unitholders is based on the profit for the period before distribution to Unitholders of HK\$105,221,000 (six months ended 30th June, 2022: HK\$613,076,000) and 3,257,431,189 Units in issue (six months ended 30th June, 2022: 3,257,431,189 Units). The basic earnings per Unit attributable to Unitholders for the period amounted to HK\$0.032 (six months ended 30th June, 2022: HK\$0.188).

The diluted earnings per Unit attributable to Unitholders is the same as the basic earnings per Unit attributable to Unitholders as there were no dilutive instruments in issue during the period (six months ended 30th June, 2022: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Authorised investments
	Hotel properties HK\$'000
At 1st January, 2022	575,000
Additions	120
Surplus on revaluation	36,815
Depreciation provided during the year	(7,935)
	<hr/>
At 31st December, 2022 (audited) and 1st January, 2023	604,000
Additions	217
Surplus on revaluation	7,691
Depreciation provided during the period	(3,908)
	<hr/>
At 30th June, 2023 (unaudited)	608,000
	<hr/> <hr/>

The Group's property, plant and equipment represents the value of land and building together with furniture, fixtures and equipment of iclub Wan Chai Hotel for the hotel portion. The REIT Manager has determined that the property, plant and equipment constitute a single class of asset (i.e. hotel property) based on the nature, characteristics and risks of the property. The property, plant and equipment was valued by Colliers International (Hong Kong) Limited ("Colliers"), an independent property valuer and the principal valuer of Regal REIT, at HK\$608,000,000 as at 30th June, 2023 (31st December, 2022: HK\$604,000,000). A revaluation surplus of HK\$7,691,000 (31st December, 2022: HK\$36,815,000) resulting from the valuation as at 30th June, 2023 has been credited to other comprehensive income.

The property, plant and equipment is categorised as Level 3 in the fair value hierarchy.

The iclub Wan Chai Hotel has been pledged to secure banking facilities granted to the Group (note 19).

The carrying amount of the Group's property, plant and equipment would have been HK\$374,507,000 (31st December, 2022: HK\$377,083,000) had such assets been stated in the condensed consolidated financial statements at cost less accumulated depreciation.

Further particulars of the Group's hotel properties are included on page 68.

11. INVESTMENT PROPERTIES

	Authorised investments		
	Hotel properties HK\$'000	Commercial properties HK\$'000	Total HK\$'000
At 1st January, 2022	21,957,000	192,000	22,149,000
Fair value changes	750,688	4,000	754,688
Capital expenditures for the year	44,999	—	44,999
Others	313	—	313
At 31st December, 2022 (audited) and 1st January, 2023	22,753,000	196,000	22,949,000
Fair value changes	120,029	—	120,029
Capital expenditures for the period	11,971	—	11,971
At 30th June, 2023 (unaudited)	22,885,000	196,000	23,081,000

The REIT Manager has determined that the investment properties constitute two classes of asset (i.e. hotel and commercial properties) based on the nature, characteristics and risks of each property.

The Group's investment properties were valued by Colliers at HK\$23,081,000,000 as at 30th June, 2023 (31st December, 2022: HK\$22,949,000,000). The investment properties are leased to a related company and other commercial tenants under operating leases. Further details of which are included in note 18 to the condensed consolidated financial statements.

The investment properties are categorised as Level 3 in the fair value hierarchy.

Initial Hotels, together with iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel, have been pledged to secure banking facilities granted to the Group (note 19).

Further particulars of the Group's investment properties are included on pages 67 to 68.

12. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	30th June, 2023 (unaudited) HK\$'000	31st December, 2022 (audited) HK\$'000	30th June, 2023 (unaudited) HK\$'000	31st December, 2022 (audited) HK\$'000
Amounts receivable:				
Not later than one year	6,555	6,555	6,411	6,351
Later than one year and not later than five years	4,277	7,554	4,248	7,468
	10,832	14,109	10,659	13,819
Less: Unearned finance income	(173)	(290)		
	10,659	13,819		
Portion classified as current assets	(6,411)	(6,351)		
Non-current portion	4,248	7,468		

The effective interest rates of the finance leases of the premises as at 30th June, 2023 is 1.86% (31st December, 2022: 1.86%) per annum.

No finance lease receivable is past due at the end of the reporting period.

13. ACCOUNTS RECEIVABLE

The Group's accounts receivable as at the end of the reporting period, based on invoice dates, are aged as being within 3 months. No accounts receivable are past due at the end of the reporting period.

The general credit terms for other accounts receivable are 30 days. The Group seeks to maintain control over the outstanding receivables and to minimise any credit risk associated thereon.

14. RESTRICTED CASH

The restricted cash of the Group is kept in designated bank accounts in accordance with the relevant facility agreements and is restricted mainly for servicing finance costs on certain interest-bearing bank borrowings, funding and utilisation of furniture, fixtures and equipment expenditures for the Initial Hotels, iclub Wan Chai Hotel - Hotel portion, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel, and holding rental deposits from certain tenants.

15. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

16. ACCOUNTS PAYABLE

	30th June, 2023 (unaudited) HK\$'000	31st December, 2022 (audited) HK\$'000
Amounts due to related companies	27,457	69,780
Other accounts payable	700	248
	<u>28,157</u>	<u>70,028</u>

The amounts due to related companies are unsecured, interest-free and repayable on demand. Other accounts payable are unsecured, non interest-bearing and are normally settled within 90 days.

The Group's accounts payable as at the end of the reporting period, based on invoice dates, are all aged within 3 months.

17. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	30th June, 2023 (unaudited) HK\$'000	31st December, 2022 (audited) HK\$'000
Advances from customers	638	1,096

Contract liabilities include the advance receipts from customers under hotel operations.

18. LEASES

The Group as a lessee

The Group has lease contracts for various premises used in its operations. Leases of premises generally have lease terms between 1 and 12 years.

(a) Lease liabilities

The carrying amount of lease liabilities and the movements during the period/year are as follows:

	30th June, 2023 (unaudited) HK\$'000	31st December, 2022 (audited) HK\$'000
Carrying amount at 1st January	13,819	20,640
Accretion of interest recognised during the period/year	117	322
Payments	(3,277)	(7,143)
Carrying amount at 30th June/31st December	10,659	13,819
Analysed into:		
Current portion	6,411	6,351
Non-current portion	4,248	7,468
	10,659	13,819

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	30th June, 2023 (unaudited) HK\$'000	31st December, 2022 (audited) HK\$'000
Interest on lease liabilities	117	322
Expenses relating to short-term leases (included in property and hotel operating expenses)	180	310
Total amount recognised in profit or loss	297	632

(c) The total cash outflow for leases is HK\$3,457,000 (six months ended 30th June, 2022: HK\$3,995,000).

The Group as a lessor

The Group leases its investment properties (note 11) consisting of hotel properties, commercial properties and premises in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30th June, 2023 (unaudited) HK\$'000	31st December, 2022 (audited) HK\$'000
Within one year	292,844	580,392
After one year but within two years	4,231	6,555
After two years but within three years	—	954
	297,075	587,901

19. INTEREST-BEARING BANK BORROWINGS

	30th June, 2023 (unaudited) HK\$'000	31st December, 2022 (audited) HK\$'000
Interest-bearing bank borrowings	10,302,500	10,271,000
Debt establishment costs	(76,674)	(89,780)
	10,225,826	10,181,220
Portion classified as current liabilities	(2,545,475)	(5,727,031)
Non-current portion	7,680,351	4,454,189
Principal amounts repayable based on original maturity terms:		
Within one year	2,547,500	2,466,000
In the second year	455,000	455,000
In the third to fifth years, inclusive	7,300,000	7,350,000
	10,302,500	10,271,000

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

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

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

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

On 29th November, 2018, Regal REIT arranged, through a wholly-owned subsidiary, Wise Decade Investments Limited, another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (subsequently reduced to HK\$44.0 million in September 2020) (the “2018 FH Facilities”) and secured by the iclub Fortress Hill Hotel. The 2018 FH Facilities have a term of five years to November 2023. As at 30th June, 2023, the outstanding amount of the 2018 FH Facilities was HK\$704.0 million, representing the full amount of the term loan and revolving loan facilities.

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

As at 30th June, 2023, the outstanding loan facilities bore interest at the Hong Kong Interbank Offered Rate plus an interest margin ranging from 1.05% per annum to 1.80% per annum (31st December, 2022: ranging from 1.05% per annum to 1.80% per annum).

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

The 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 Group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Group; and
- (v) an equitable charge over the shares in the relevant companies of the Group.

20. DEFERRED TAX

The movements in deferred tax assets and liabilities during the period/year were as follows:

	Fair value adjustments arising from revaluation of property, plant and equipment HK\$'000	Depreciation allowances in excess of related depreciation HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Total HK\$'000
Gross deferred tax assets/(liabilities) at 1st January, 2022	(31,686)	(650,228)	8,009	(673,905)
Deferred tax charged to other comprehensive income during the year	(6,074)	—	—	(6,074)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	319	(20,134)	3,483	(16,332)
Gross deferred tax assets/(liabilities) at 31st December, 2022 (audited)	<u>(37,441)</u>	<u>(670,362)</u>	<u>11,492</u>	<u>(696,311)</u>
Gross deferred tax assets/(liabilities) at 1st January, 2023	(37,441)	(670,362)	11,492	(696,311)
Deferred tax charged to other comprehensive income during the period	(1,269)	—	—	(1,269)
Deferred tax credited/(charged) to the condensed consolidated statement of profit or loss during the period (note 8)	184	(7,206)	16,474	9,452
Gross deferred tax assets/(liabilities) at 30th June, 2023 (unaudited)	<u>(38,526)</u>	<u>(677,568)</u>	<u>27,966</u>	<u>(688,128)</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the condensed consolidated statement of financial position.

21. NUMBER OF UNITS IN ISSUE

	Number of Units	
	30th June, 2023 (unaudited)	31st December, 2022 (audited)
At beginning and end of the period/year	<u>3,257,431,189</u>	<u>3,257,431,189</u>

22. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per Unit attributable to Unitholders is calculated by dividing the net assets attributable to Unitholders as at 30th June, 2023 of HK\$12,886,933,000 (31st December, 2022: HK\$12,807,864,000) by the number of Units in issue of 3,257,431,189 (31st December, 2022: 3,257,431,189) as at that date.

23. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Lease liabilities HK\$'000	Interest- bearing bank borrowings HK\$'000
At 1st January, 2022	20,640	9,992,044
Changes from financing cash flows	(6,821)	164,463
Non-cash change:		
Amortisation of debt establishment costs	—	24,713
	<u>13,819</u>	<u>10,181,220</u>
At 31st December, 2022 (audited) and at 1st January, 2023	(3,160)	31,500
Changes from financing cash flows		
Non-cash change:		
Amortisation of debt establishment costs	—	13,106
	<u>10,659</u>	<u>10,225,826</u>
At 30th June, 2023 (unaudited)		

24. COMMITMENTS

The Group had the following capital commitments in respect of its properties at the end of the reporting period:

	30th June, 2023 (unaudited) HK\$'000	31st December, 2022 (audited) HK\$'000
Authorised, but not contracted for	19,392	31,384

25. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with connected and/or related parties during the period:

Connected/related parties	Relationship with the Group
DB Trustees (Hong Kong) Limited	The Trustee of Regal REIT
Deutsche Bank AG and its associates (the "Deutsche Bank Group")	Connected persons of the Trustee
Regal Hotels International Holdings Limited and other members of its group (collectively, the "RHIHL Group")	Substantial Unitholder of Regal REIT
Regal Portfolio Management Limited	The REIT Manager of Regal REIT and a member of the RHIHL Group
Paliburg Holdings Limited and other members of its group (collectively, the "PHL Group")	Controlling shareholders of the RHIHL Group

(a) Transactions with connected/related parties:

	Notes	Six months ended 30th June, 2023 (unaudited) HK\$'000	Six months ended 30th June, 2022 (unaudited) HK\$'000
Contractual rental income received/receivable from the RHIHL Group	(i)	290,606	344,029
Rental income received/receivable from the RHIHL Group	(ii)	866	866
Hotel management fees charged by the RHIHL Group	(iii)	(597)	(291)
Marketing fees charged by the RHIHL Group	(iv)	(139)	(84)
Building management fees charged by the PHL Group	(v)	(316)	(316)
REIT Manager fees	(vi)	(44,295)	(44,346)
Trustee fees	(vii)	(1,817)	(1,739)
Meeting fees charged by the RHIHL Group	(viii)	—	(171)

Notes:

- (i) The rental income earned by the Group was in accordance with the relevant lease agreements with respect to the Initial Hotels, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel.
- (ii) The rental income earned by the Group was in accordance with the relevant tenancy agreement with respect to Shop Nos. A & B, which is part of the iclub Wan Chai Hotel.
- (iii) The hotel management fees in respect of iclub Wan Chai Hotel - Hotel portion were comprised of (a) a base fee, for an amount based on 2% of the gross hotel revenue, and (b) an incentive fee based on 5% of the excess of the gross operating profit over the base fee and fixed charges in accordance with the corresponding hotel management agreement.
- (iv) The marketing fees in respect of iclub Wan Chai Hotel - Hotel portion were charged at 1% of the gross hotel revenue of iclub Wan Chai Hotel - Hotel portion in accordance with the corresponding hotel management agreement.
- (v) The building management fees were charged at a mutually agreed amount payable on a monthly basis in respect of iclub Wan Chai Hotel - Non-hotel portions.
- (vi) The REIT Manager is entitled to receive Base Fees and Variable Fees, details of which, including the terms, are set out in note 5 to the condensed consolidated financial statements.
- (vii) The Trustee is entitled to receive trustee fees (calculated and payable quarterly) at rates ranging from 0.015% per annum to 0.025% per annum based on the value of the deposited property of Regal REIT as at the end of the reporting period subject to a minimum of HK\$66,000 per month.
- (viii) The meeting fees were charged at mutually agreed amounts.

The above transactions have been entered into in the ordinary course of business and on normal commercial terms.

(b) Balances with connected/related parties were as follows:

	Notes	30th June, 2023 (unaudited) HK\$'000	31st December, 2022 (audited) HK\$'000
Net amounts due from/(to) the RHIHL Group:			
Accounts payable to related companies	(i)	(27,457)	(69,780)
Deposit received	(iii)	(433)	(7,433)
Amounts due from related companies	(i)	1,142	2,747
Amounts due to related companies	(i)	(144,033)	(521)
Net amounts due from the PHL Group:			
Deposits paid	(i)	1,212	1,212
Net amounts due to:			
The Trustee	(ii)	(921)	(1,042)
Restricted and non-restricted bank balances with the Deutsche Bank Group			
	(iv)	154	154

Notes:

- (i) The amounts are unsecured, interest-free and repayable on demand/within one year.
 - (ii) The amount is unsecured and repayable in accordance with the terms of the Trust Deed.
 - (iii) The amount is repayable in accordance with the terms of the relevant agreement.
 - (iv) The bank balances earn interest at prevailing market rates.
- (c) The RHIHL Group has guaranteed to pay all amounts from time to time owing or payable by the lessee of the Initial Hotels to the Group under the respective lease agreements, when the same become due, together with other charges and outgoings, interest, default interest, fees and costs. In this connection, the RHIHL Group undertook to maintain a minimum consolidated tangible net worth (as defined in the relevant agreements) of HK\$4 billion. Under the Market Rental Package for 2023, the RHIHL Group provided third party guarantee or other equivalent form of security as security deposit for an amount of HK\$120.0 million (2022: HK\$118.75 million), which is equivalent to three-month Base Rent for the year 2023, issued by a licensed bank in Hong Kong.
- (d) Under a deed of trade mark licence, the RHIHL Group granted the REIT Manager and companies holding the Initial Hotels within the Group a non-exclusive and non-transferable licence at nil consideration to use its registered trade marks or service marks for the purpose of describing the ownership of the Initial Hotels and/or use in connection with the business of the Initial Hotels.
- (e) On 10th February, 2014, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Sheung Wan Hotel for a 10-year term commencing on 10th February, 2014.

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- (f) On 28th July, 2014, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Fortress Hill Hotel for a 10-year term commencing on 28th July, 2014.
 - (g) On 4th September, 2017, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub To Kwa Wan Hotel for a 10-year term commencing on 4th September, 2017.
 - (h) On 20th December, 2019, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Wan Chai Hotel for a 10-year term commencing on 1st January, 2021.

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The REIT Manager considers that the carrying amounts of the financial assets and financial liabilities recorded in the condensed consolidated financial statements approximated to their fair values at the end of the reporting period.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



**To the board of directors of Regal Portfolio Management Limited
(as manager of Regal Real Estate Investment Trust)**

INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 65, which comprises the condensed consolidated statement of financial position of Regal Real Estate Investment Trust (“Regal REIT”) and its subsidiaries as at 30th June, 2023, and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in net assets and statement of cash flows and the distribution statement 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.

The Manager of Regal REIT is 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Ernst & Young
Certified Public Accountants

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

25th August, 2023

SUMMARY OF PROPERTY PORTFOLIO

As at 30th June, 2023

Description	Use	Lease	Gross Floor Area (sq.m.)	Approx. Covered Floor Area (sq.m.)	Percentage interest attributable to Regal REIT
(1) Regal Airport Hotel 9 Cheong Tat Road Hong Kong International Airport Chek Lap Kok New Territories Hong Kong	Hotel	Medium term	71,988	83,400	100
(2) Regal Hongkong Hotel 88 Yee Wo Street Causeway Bay Hong Kong	Hotel	Long term	25,090	32,000	100
(3) Regal Kowloon Hotel 71 Mody Road Tsimshatsui Kowloon Hong Kong	Hotel	Long term	31,746	43,500	100
(4) Regal Oriental Hotel 30-38 Sa Po Road and Shops 3-11 on G/F including Cockloft of Shops 5-7 and the whole of 1/F Po Sing Court 21-25 Shek Ku Lung Road 40-42 Sa Po Road and 15-29 Carpenter Road Kowloon City Kowloon Hong Kong	Hotel	Medium term	22,601	27,300	100

As at 30th June, 2023

	Description	Use	Lease	Gross Floor Area (sq.m.)	Approx. Covered Floor Area (sq.m.)	Percentage interest attributable to Regal REIT
(5)	Regal Riverside Hotel 34-36 Tai Chung Kiu Road Shatin, New Territories Hong Kong	Hotel	Medium term	59,668	69,100	100
(6)	iclub Wan Chai Hotel Shops A, B and C on G/F, Flat Roof on 3/F, Whole of 5-12/F, 15-23/F and 25-29/F Eastern and Western Elevations of External Walls Architectural Feature at Roof Top and Upper Roof 211 Johnston Road Wan Chai Hong Kong	Hotel/ commercial	Long term	5,326	5,530	100
(7)	iclub Sheung Wan Hotel 138 Bonham Strand Sheung Wan Hong Kong	Hotel	Long term	7,197	9,600	100
(8)	iclub Fortress Hill Hotel 18 Merlin Street North Point Hong Kong	Hotel	Long term	6,849	9,400	100
(9)	iclub To Kwa Wan Hotel 8 Ha Heung Road Kowloon Hong Kong	Hotel	Long term	6,298	9,490	100

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