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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)

Managed by



ANNOUNCEMENT OF 2022 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2022 (unaudited) HK\$ million	Six months ended 30th June, 2021 (unaudited) HK\$ million	% Change
Gross rental revenue	339.8	289.8	+17.3%
Gross hotel revenue	7.8	5.3	+47.3%
Net rental and hotel income	340.4	288.0	+18.2%
Profit/(loss) for the period, before distribution to Unitholders*	613.1	(74.5)	N/A
Core operating profit, excluding fair value changes on investment properties	168.8	138.6	+21.8%
Distributable income for the period attributable to Unitholders	<u>183.1</u>	<u>161.7</u>	+13.2%
Distributable income per Unit	<u>HK\$0.056</u>	<u>HK\$0.050</u>	+12.0%
Distribution per Unit	<u>HK\$0.051</u>	<u>HK\$0.045</u>	+13.3%
Net Asset Value per Unit attributable to Unitholders	<u>As at 30th June, 2022 (unaudited) HK\$3.881</u>	<u>As at 31st Dec., 2021 (audited) HK\$3.729</u>	+4.1%

* Includes revaluation gain of HK\$444.3 million and revaluation deficit of HK\$213.1 million (after taking into account capital expenditures incurred) as a result of fair value changes on investment properties based on independent valuer appraisals as at 30th June, 2022 and 2021, respectively.

- Net rental and hotel income for the six months ended 30th June, 2022 amounted to HK\$340.4 million, an increase of 18.2% over the same period in 2021.
- Profit for the period, before distribution to Unitholders, amounted to HK\$613.1 million, as compared to a loss of HK\$74.5 million for the corresponding period in 2021.
- Apart from the increased net rental and hotel income, a major part of the profit achieved for the period was attributable to the gain of HK\$444.3 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, 2022, as compared to the last appraised value as of 31st December, 2021. For the corresponding period last year, a fair value loss of HK\$213.1 million was recorded.
- Core operating profit before distribution to the Unitholders for the interim period, excluding the fair value changes on the investment properties, amounted to HK\$168.8 million, as compared to HK\$138.6 million for the same period in 2021.
- Total distributable income for the period amounted to HK\$183.1 million, an increase of 13.2% as compared to HK\$161.7 million for the corresponding period in 2021.
- Interim distribution for the period of HK\$0.051 per Unit, an increase of 13.3% over the 2021 interim distribution of HK\$0.045 per Unit.
- During the period, the nine hotel properties of Regal REIT continued to operate under two different business modes, with five hotels operating as quarantine hotels or facilities under the various quarantine or isolation schemes organised by the Hong Kong Government to combat the COVID-19 pandemic, while the remaining four hotels continued to operate normal hotel businesses serving mostly local customers.
- As the hotels operating as quarantine hotels or facilities under the government schemes have generated steady revenues, the operating performance of the hotel portfolio as a whole in the first half of 2022 secured substantial improvement over the same period last year.

- **In late June 2022, Regal REIT concluded a 5-year term loan facility of HK\$2,950.0 million with a new lender, similarly secured by the Regal Kowloon Hotel, which was used to refinance the then outstanding term loan facility of HK\$3,000.0 million originally to mature in March 2023.**
- **The business environment for Hong Kong for the second half of 2022 will still be challenging but the REIT Manager is, however, optimistic that Hong Kong, with its usual resilience, will be able to overcome these future challenges.**
- **The REIT Manager is working closely with the hotel manager to devise new business and development strategies, including plans for the staged renovation and upgrading of some of Regal REIT’s hotel properties, in order that Regal REIT will be well-prepared for the market challenges as well as potential business opportunities that will emerge, as and when the travel and hotel industries in Hong Kong gradually return to normal operating conditions.**

FINANCIAL RESULTS

For the six months ended 30th June, 2022, Regal Real Estate Investment Trust (“**Regal REIT**”) recorded an unaudited consolidated profit before distribution to unitholders (the “**Unitholders**”) of HK\$613.1 million, as compared to a loss of HK\$74.5 million for the corresponding period in 2021.

Net rental and hotel income for the period from 1st January, 2022 to 30th June, 2022 (the “**Interim Period**”) amounted to HK\$340.4 million, an increase of HK\$52.4 million over the HK\$288.0 million attained in the same period last year. Apart from the increased net rental and hotel income, a major part of the profit achieved for the Interim Period was attributable to the gain of HK\$444.3 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, 2022, as compared to the last appraised value as of 31st December, 2021. For the corresponding period last year, a fair value loss of HK\$213.1 million was recorded. If these fair value changes are excluded, the core operating profit before distribution to Unitholders for the Interim Period would amount to HK\$168.8 million, as compared to the HK\$138.6 million for the same period in 2021.

DISTRIBUTABLE INCOME AND INTERIM DISTRIBUTION FOR 2022

Total distributable income for the Interim Period, after taking into account the various non-cash adjustments, amounted to HK\$183.1 million (equivalent to approximately HK\$0.056 per unit of Regal REIT (the “**Unit**”)), an increase of 13.2% as compared to HK\$161.7 million (equivalent to approximately HK\$0.050 per Unit) for the corresponding period in 2021.

In accordance with Regal REIT’s policy of distributing no less than 90% of the distributable income, the directors (the “**Directors**”) of Regal Portfolio Management Limited (the “**REIT Manager**”) have declared an interim distribution of HK\$0.051 per Unit for the six months ended 30th June, 2022 (2021 interim distribution - HK\$0.045 per Unit), which represents a distribution ratio of approximately 90.7% for the Interim Period.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Tuesday, 13th September, 2022 to Friday, 16th September, 2022, both days inclusive, during which period no transfers of Units will be effected. In order to qualify for the interim distribution for 2022, all Unit certificates with completed transfer forms must be lodged with Regal REIT’s Unit registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 9th September, 2022. The relevant distribution warrants are expected to be despatched on or about 28th September, 2022.

HOTEL MARKET AND BUSINESS REVIEW

Based on a recent research report by the World Bank Group, the world economy continued to suffer from a series of destabilising shocks during the first half of 2022. After more than two years of pandemic, the recent war in Ukraine has led to high commodity prices, supply chain disruptions, inflation and tighter financial conditions, which have steepened the slowdown in global growth. The outlook for the global economy is overshadowed by various downside risks.

Due mainly to the sporadic COVID-19 outbreaks and related strict lockdowns, economic activities in China have slowed sharply, with growth in consumer spending particularly subdued. Trade and manufacturing investments have lost momentum, owing to supply disruptions. According to preliminary estimates, the Gross Domestic Product (GDP) of China for the first half of 2022 only increased by 2.5% year-on-year. It is expected that China will implement more stimulus plans to boost the economy, in order that its GDP growth for the whole year of 2022 can catch up to its anticipated target.

Impacted by the global economic events and the pandemic, Hong Kong's economy suffered a major setback in the first quarter of 2022, with its GDP having decreased by 3.9% year-on-year. As the pandemic situation began to subdue, the local labour market regained some momentum in the second quarter. The seasonally adjusted unemployment rate decreased from 5.1% in the 3-month period from March to May to 4.7% in April to June in 2022. Moreover, the drop in Hong Kong's GDP in real terms in the second quarter of 2022 also moderated to 1.3%, as compared with a year earlier.

Due to the outburst of the 5th wave of the pandemic in Hong Kong early this year, travel restrictions and quarantine measures were tightened and many international flights were banned. It was only in the second quarter that these restrictive measures were gradually relaxed and overseas visitors permitted to enter Hong Kong from May 2022.

Under this environment, there were only about 76,000 visitors to Hong Kong in the first half of 2022, of which approximately 62,000 were visitors from Mainland China. Although these numbers represented an increase of 125.2% and 155.4% year-on-year, respectively, the sharp increases in percentage terms merely reflect the very low comparative base in 2021. In terms of absolute numbers, the number of total visitor arrivals in the first half of 2022 only accounted for a minute fraction of the pre-pandemic levels.

Based on the information published by the Hong Kong Tourism Board, the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June was up from 56.0% in 2021 to 63.0% in 2022, while the average achieved room rate improved by 23.8%, thus resulting in an increment of 39.2% in their average Revenue per Available Room (RevPAR) year-on-year.

During the Interim Period, the nine hotel properties of Regal REIT continued to operate under two different business modes. Specifically, five of our hotels, namely, Regal Airport Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, iclub Fortress Hill Hotel and iclub Ma Tau Wai Hotel were operating as quarantine hotels or facilities under the various quarantine or isolation schemes organised by the Hong Kong Government to combat the COVID-19 pandemic, while the remaining four hotels, namely, Regal Hongkong Hotel, Regal Riverside Hotel, iclub Wan Chai Hotel and iclub Sheung Wan Hotel, continued to operate normal hotel businesses serving mostly local customers for long stay or staycation purposes. As the hotels operating as quarantine hotels or facilities under the government schemes have generated steady revenues, the operating performance of the hotel portfolio as a whole in the first half of 2022 secured substantial improvement over the same period last year.

Under this mixed operating structure, the combined average occupancy of the five Initial Hotels in Hong Kong during the Interim Period was 68.8%, as compared to 47.5% for the same period last year, while their combined average room rate increased by 119.1%. Consequently, their combined average RevPAR improved overall by 217.1% year-on-year. The prevailing aggregate base rent for 2022 for the 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, was HK\$475.0 million. As the aggregate net property income (“**NPI**”) of these five hotels for the Interim Period was above the pro-rated base rent of HK\$237.5 million, variable rent of HK\$26.8 million was earned, which will be subject to adjustment based on their aggregate NPI achieved for the whole year.

Apart from the five Initial Hotels operating under the “Regal” brand, Regal REIT also owns four other hotel properties in Hong Kong, all under the “iclub by Regal” brand name. The “iclub” brand is a special line of hotels developed by the RHIHL Group, which are typically positioned as upscale select-service hotels, with contemporary designs and stylish décors, and equipped with tech-savvy facilities.

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and has been self-operated by Regal REIT since 2011. During the Interim Period, this hotel maintained an occupancy rate of 88.9%, which was 13.2 percentage points higher than the same period last year, while its average room rate increased by 25.4%, resulting in an increase of 47.3% in its RevPAR year-on-year. Consequently, the NPI from this property, including the lease rentals from the non-hotel portions, substantially improved as compared to the first half last year.

The other three iclub hotels, namely, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub Ma Tau Wai Hotel have also been leased to the same RHIHL lessee. The prevailing annual base rent for 2022 for each of iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, as determined by an independent professional property valuer under the terms of the market rental packages, was HK\$27.0 million. During the Interim Period, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel attained a combined average occupancy rate of 80.5%, an increase of 7.7 percentage points as compared to the corresponding period in 2021. At the same time, their combined average room rate increased by 177.3%, which overall translated into an improvement of 207.0% in their combined average RevPAR year-on-year. For the Interim Period, variable rent of HK\$13.8 million was earned by iclub Fortress Hill Hotel, which will likewise be subject to adjustment on a full year basis.

The iclub Ma Tau Wai Hotel, acquired by Regal REIT in September 2017, was leased for an initial term of 5 years with escalating fixed rentals at an average yield of 4.5% per annum. For the Interim Period, the iclub Ma Tau Wai Hotel earned fixed rental receipts of HK\$34.0 million. As reported earlier, in December 2021, Regal REIT exercised the option granted to it under the existing lease agreement to extend the lease term of the iclub Ma Tau Wai Hotel to 31st December, 2027, with rentals in the extended term to be based on independent annual market reviews. In May 2022, the independent professional valuer jointly appointed by the lessor and the lessee determined the base rent under the market rental package for this hotel for the first lease period under the extended term to be HK\$8.8 million for the period from 4th September, 2022 to 31st December, 2022 (prorated from a base rent of HK\$27.0 million for the whole year of 2022) and HK\$30.0 million for 2023.

In late June 2022, Regal REIT concluded a 5-year term loan facility of HK\$2,950.0 million with a new lender, similarly secured by the Regal Kowloon Hotel, which was used to refinance the then outstanding term loan facility of HK\$3,000.0 million originally to mature in March 2023.

BUSINESS OUTLOOK

The Hong Kong Government recently announced the further relaxation of the quarantine requirements for foreign visitors from 7 days hotel quarantine to 3 days, followed by medical surveillance at home for 4 days. This is a positive step towards normalisation of international traffic and connections with the global community. However, in order that the economy of Hong Kong can rapidly revive, Hong Kong will need to reopen its cross border traffic with the Mainland as soon as practicable, particularly when the economic environment worldwide is getting increasingly uncertain and volatile. This year marked the 25th Anniversary of Hong Kong's Return to China. With the policy support from China, Hong Kong should take the opportunity to move towards the goals of being a “global metropolis”, a world-class financial center and a center for the technology innovation industry.

As the United States began to raise its interest rates since March this year to combat the heightened inflation, Hong Kong is under pressure to follow the interest rates hike. Although the pace and magnitude of the interest rate increases in Hong Kong may not be the same as in the United States, the price of assets in Hong Kong, including stocks and properties, will inevitably be affected and may further weaken the general consumption sentiment. The Hong Kong Government has implemented various initiatives, including the launching of the phase II consumption vouchers in August, to boost consumption and market confidence, but the business environment for Hong Kong for the second half of 2022 will still be challenging.

The Directors of the REIT Manager are, however, optimistic that Hong Kong, with its usual resilience, will be able to overcome these future challenges. In the meanwhile, the REIT Manager is working closely with the hotel manager to devise new business and development strategies, including plans for the staged renovation and upgrading of some of Regal REIT's hotel properties, in order that Regal REIT will be well-prepared for the market challenges as well as potential business opportunities that will emerge, as and when the travel and hotel industries in Hong Kong gradually return to normal operating conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

During the Interim Period, Regal REIT received aggregate base rent of HK\$237.5 million for the leasing of the Initial Hotels. For the period under review, as the aggregate NPI from hotel operations of the Initial Hotels was above the pro-rated base rent of HK\$237.5 million, variable rent of HK\$26.8 million was earned, which will be subject to adjustment based on their aggregate NPI achieved for the whole year.

For the six months ended 30th June, 2022, iclub Wan Chai Hotel – hotel portion contributed gross hotel revenue of HK\$7.8 million and incurred operating costs and expenses amounting to HK\$5.5 million. For the non-hotel portions comprising retail and commercial premises, rental income of HK\$3.3 million was generated under the leases for the period under review.

During the Interim Period, as the NPI from hotel operations of the iclub Sheung Wan Hotel was only HK\$7.5 million, Regal REIT received base rent of HK\$13.5 million for the leasing of this hotel and no variable rent was earned.

During the Interim Period, Regal REIT received base rent of HK\$13.5 million for the leasing of iclub Fortress Hill Hotel and the NPI from hotel operations of this hotel was HK\$41.1 million. Therefore, Regal REIT is entitled to a variable rent of HK\$13.8 million, which will likewise be subject to adjustment on a full year basis.

For the period ended 30th June, 2022, Regal REIT earned fixed rental income of HK\$30.3 million, recognised on the straight-line basis, for the leasing of the iclub Ma Tau Wai Hotel, while cash receipts of HK\$34.0 million were recorded based on the escalating fixed rental amounts for the first five years.

Financial Review

As at 30th June, 2022, Regal REIT's loan facilities aggregating HK\$10,470.0 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\$2,950.0 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 Ma Tau Wai Hotel.

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, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and 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, 2022, the 2021 IH Facilities had an outstanding amount of HK\$4,643.0 million, representing the full amount of the term loan facility and an amount of HK\$143.0 million under the revolving loan facility.

On 8th March, 2018, Regal REIT, through a wholly-owned subsidiary, arranged a bilateral term loan facility of HK\$3,000.0 million (the “**2018 RKH Facility**”), secured by a mortgage over the Regal Kowloon Hotel. This facility 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 then outstanding term loan facility of HK\$3,000.0 million originally to mature in March 2023. The 2022 RKH Facility carries interest based on HIBOR. As at 30th June, 2022, the outstanding amount of the 2022 RKH Facility was HK\$2,950.0 million, representing the full amount of the term loan facility.

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 throughout its term and its principal amount was revised to HK\$405.0 million on 22nd June, 2020 for compliance with an undertaking in the facility agreement. As at 30th June, 2022, the outstanding facility amount of the 2019 WC Facility was HK\$405.0 million.

On 19th October, 2018, Regal REIT, through a wholly-owned subsidiary, arranged a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million, 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, 2022, the utilised amount of the 2018 SW Facilities was HK\$790.0 million, representing the full amount of the term loan facility and a revolving loan amount of HK\$158.0 million.

On 29th November, 2018, Regal REIT, through a wholly-owned subsidiary, arranged another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (subsequently reduced to HK\$44.0 million in September 2020), 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, 2022, the outstanding amount of the 2018 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

On 4th September, 2017, Regal REIT, through a wholly-owned subsidiary, arranged a term loan facility of HK\$748.0 million, secured by the iclub Ma Tau Wai Hotel (the “**2017 MTW Facility**”) with a term of three years to September 2020 and bearing HIBOR-based interest. On 27th August, 2020, a supplement to the 2017 MTW Facility agreement was entered into to amend the principal loan amount to HK\$621.0 million for a new term of three years to September 2023 (the “**2020 MTW Facility**”). As at 30th June, 2022, the outstanding amount of the 2020 MTW Facility was HK\$621.0 million, representing the full amount of the term loan facility.

During the Interim Period, the HIBOR was on an upward trend with the 1-month HIBOR rate fluctuating within a range of around 0.128% per annum to around 0.903% per annum and it was at 0.871% per annum as of 30th June, 2022. During the Interim Period, the interest cost components in respect of all the loan facilities of Regal REIT are subject to floating HIBOR-based interest rates. The REIT Manager will continue to monitor the interest rate trends and to assess any needs to contain or hedge the exposure of the floating interest rate against rate hikes.

As at 30th June, 2022, the gearing ratio of Regal REIT was 43.0% (30th June, 2021: 44.8%), being the gross amount of the outstanding loans aggregating HK\$10,069.0 million, which takes into account: (a) the 2021 IH Facilities of HK\$4,643.0 million; (b) the 2022 RKH Facility of HK\$2,950.0 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\$660.0 million; and (f) the 2020 MTW Facility of HK\$621.0 million, as compared to the total gross assets of Regal REIT of HK\$23,418.6 million. The gearing ratio is below the maximum 50% permitted under the Code on Real Estate Investment Trusts (the “**REIT Code**”).

As at 30th June, 2022, Regal REIT had a total of HK\$51.8 million in unrestricted and HK\$107.5 million in restricted cash balances and bank deposits, and unutilised revolving loan facilities of HK\$401.0 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.

As at 30th June, 2022, all nine Regal REIT’s properties with an aggregate carrying value of HK\$23,190.0 million were pledged to secure bank loan facilities granted to Regal REIT.

Net Assets Attributable to Unitholders

As at 30th June, 2022, net assets attributable to Unitholders amounted to HK\$12,643.1 million (31st December, 2021: HK\$12,146.9 million), representing net asset value (“**NAV**”) per Unit attributable to Unitholders of HK\$3.881, which was above the NAV of HK\$3.729 per Unit as at 31st December, 2021, mainly due to the increase in the fair value of the property portfolio.

Valuation of the Property Portfolio

As at 30th June, 2022, Regal REIT's overall property portfolio was valued at HK\$23,190.0 million (31st December, 2021: HK\$22,724.0 million). The property portfolio is comprised of (i) the five Initial Hotels, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel, the iclub Ma Tau Wai 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, 2022 and 31st December, 2021 are tabulated below.

Property	Location	30 Jun 2022 Valuation HK\$ million	31 Dec 2021 Valuation HK\$ million	% Change
<i>Initial Hotels:</i>				
Regal Airport Hotel	Lantau Island	1,860	1,970	-5.6%
Regal Hongkong Hotel	HK Island	4,160	4,040	3.0%
Regal Kowloon Hotel	Kowloon	5,714	5,480	4.3%
Regal Oriental Hotel	Kowloon	1,760	1,700	3.5%
Regal Riverside Hotel	New Territories	4,700	4,660	0.9%
		18,194	17,850	1.9%
<i>iclub Hotels:</i>				
iclub Wan Chai Hotel	HK Island	786	767	2.5%
iclub Sheung Wan Hotel	HK Island	1,434	1,416	1.3%
iclub Fortress Hill Hotel	HK Island	1,486	1,441	3.1%
iclub Ma Tau Wai Hotel	Kowloon	1,290	1,250	3.2%
Overall property portfolio		23,190	22,724	2.1%

The valuations of the property portfolio as at 30th June, 2022 were conducted by Colliers International (Hong Kong) Limited (“Colliers”), the principal valuer of Regal REIT appointed by the trustee of Regal REIT for a term of three years commencing from December 2021 pursuant to the provisions of the REIT Code.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June, 2022

	Notes	Six months ended 30th June, 2022 (unaudited) HK\$'000	Six months ended 30th June, 2021 (unaudited) HK\$'000
Revenue			
Gross rental revenue	5	339,818	289,793
Gross hotel revenue	5	7,797	5,295
		347,615	295,088
Property and hotel operating expenses		(7,199)	(7,054)
Net rental and hotel income	5	340,416	288,034
Interest income		186	150
Depreciation	10	(3,998)	(3,871)
Fair value changes on investment properties	11	444,256	(213,069)
REIT Manager fees	6	(44,346)	(42,474)
Trust, professional and other expenses		(3,908)	(3,917)
Finance costs – excluding distribution to Unitholders	7	(85,346)	(70,984)
Profit/(loss) before tax and distribution to Unitholders		647,260	(46,131)
Income tax expense	8	(34,184)	(28,333)
Profit/(loss) for the period, before distribution to Unitholders		613,076	(74,464)
Finance costs – distribution to Unitholders		(133,555)	(247,565)
Profit/(loss) for the period, after distribution to Unitholders		479,521	(322,029)
Earnings/(loss) per Unit attributable to Unitholders			
Basic and diluted	9	HK\$0.188	HK\$(0.023)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2022

	Notes	Six months ended 30th June, 2022 (unaudited) HK\$'000	Six months ended 30th June, 2021 (unaudited) HK\$'000
Profit/(loss) for the period, before distribution to Unitholders		613,076	(74,464)
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on revaluation of property	10	19,925	3,840
Income tax effect	16	(3,288)	(634)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		16,637	3,206
Other comprehensive income for the period, net of tax		16,637	3,206
Total comprehensive income/(loss) for the period, before distribution to Unitholders		629,713	(71,258)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2022

	Notes	30th June, 2022 (unaudited) HK\$'000	31st December, 2021 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	591,000	575,000
Investment properties	11	22,599,000	22,149,000
Finance lease receivables		10,659	13,819
Total non-current assets		23,200,659	22,737,819
Current assets			
Accounts receivable	12	41,915	4,919
Prepayments, deposits and other receivables		7,921	6,930
Due from related companies		1,969	1,419
Tax recoverable		443	1,182
Finance lease receivables		6,292	6,821
Restricted cash		107,539	99,233
Cash and cash equivalents		51,849	54,152
Total current assets		217,928	174,656
Total assets		23,418,587	22,912,475
Current liabilities			
Accounts payable	13	24,477	32,105
Deposits received		871	208
Due to related companies		1,046	401
Other payables and accruals		39,184	25,036
Contract liabilities		1,159	440
Interest-bearing bank borrowings		350,250	248,000
Lease liabilities		6,292	6,821
Tax payable		37,723	18,118
Total current liabilities		461,002	331,129
Net current liabilities		(243,074)	(156,473)
Total assets less current liabilities		22,957,585	22,581,346

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30th June, 2022

	Notes	30th June, 2022 (unaudited) HK\$'000	31st December, 2021 (audited) HK\$'000
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing bank borrowings		9,615,647	9,744,044
Lease liabilities		10,659	13,819
Deposits received		2,234	2,667
Deferred tax liabilities	16	685,976	673,905
Total non-current liabilities		<u>10,314,516</u>	<u>10,434,435</u>
Total liabilities, excluding net assets attributable to Unitholders		<u>10,775,518</u>	<u>10,765,564</u>
Net assets attributable to Unitholders		<u>12,643,069</u>	<u>12,146,911</u>
Number of Units in issue	14	<u>3,257,431,189</u>	<u>3,257,431,189</u>
Net asset value per Unit attributable to Unitholders	15	<u>HK\$3.881</u>	<u>HK\$3.729</u>

DISTRIBUTION STATEMENT

For the six months ended 30th June, 2022

	Six months ended 30th June, 2022 (unaudited) HK\$'000	Six months ended 30th June, 2021 (unaudited) HK\$'000
Profit/(loss) for the period, before distribution to Unitholders	613,076	(74,464)
Adjustments:		
Difference in accounting rental income and contractual cash rental income	3,668	1,968
Amounts set aside for the furniture, fixtures and equipment reserve ^(d)	(13,572)	(5,791)
Amortisation of debt establishment costs	11,390	10,571
Fair value changes on investment properties	(444,256)	213,069
Depreciation	3,998	3,871
Deferred tax charge	8,783	12,503
Distributable income for the period ^(a)	183,087	161,727
Distribution per Unit ^{(a), (b) & (c)}	HK\$0.051	HK\$0.045

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 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 resolved to make an interim distribution of HK\$0.051 per Unit for the six months ended 30th June, 2022 (six months ended 30th June, 2021: HK\$0.045 per Unit).

- (b) Pursuant to the Trust Deed, the REIT Manager determines the date (the "**Record Date**") in respect of each distribution period for the purpose of establishing Unitholder entitlements to distributions. The Record Date has been set as 16th September, 2022 in respect of the interim distribution for the six months ended 30th June, 2022. The interim distribution will be paid out to Unitholders on or about 28th September, 2022.
- (c) The interim distribution of HK\$0.051 per Unit for the six months ended 30th June, 2022, involving a total distribution of HK\$166.1 million, was resolved and declared by the REIT Manager on 25th August, 2022. Accordingly, the distribution is not reflected as a distribution payable in the condensed consolidated financial statements and will be reflected in the consolidated financial statements for the year ending 31st December, 2022.
- (d) Amounts set aside by Regal REIT for the furniture, fixtures and equipment reserve with respect to the Initial Hotels, iclub Wan Chai Hotel, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel aggregated HK\$13.6 million (six months ended 30th June, 2021: HK\$5.8 million).

Notes:

1. GENERAL

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 were listed on The Stock Exchange of Hong Kong Limited on 30th March, 2007. Regal REIT is governed by a trust deed dated 11th December, 2006 (as amended and restated by the first amending and restating deed dated 23rd March, 2021) constituting Regal REIT (the “**Trust Deed**”) and the REIT Code.

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 and to achieve long-term growth in the net asset value per Unit.

2. BASIS OF PREPARATION

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 Securities and Futures Commission of Hong Kong.

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. The 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, 2022, the Group's current liabilities exceeded its current assets by HK\$243,074,000. The net current liabilities position was mainly due to the revolving loans that could be rolled-over on a monthly basis and a term loan portion in aggregate of HK\$350,250,000 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 and the Group's revolving loan facilities that are available for a period not less than twelve months, 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.

3. ACCOUNTING POLICIES AND ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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, 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2021.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21, respectively, instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1st January, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1st January, 2021. Since there were no sales of items produced while making property, plant and equipment available for use on or after 1st January, 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1st January, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1st January, 2022. As there were no modifications of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

4. 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 Ma Tau Wai 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, 2022 are 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>	<u>340,416</u>
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			<u>(85,346)</u>
Profit before tax and distribution to Unitholders			<u>647,260</u>

The operating segments of the Group for the six months ended 30th June, 2021 were as follows:

	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue			
Gross rental revenue	287,380	2,413	289,793
Gross hotel revenue	–	5,295	5,295
Total	<u>287,380</u>	<u>7,708</u>	<u>295,088</u>
Segment results	<u>286,104</u>	<u>1,930</u>	288,034
Fair value changes on investment properties	(212,069)	(1,000)	(213,069)
Depreciation	–	(3,871)	(3,871)
Interest income			150
REIT Manager fees			(42,474)
Trust, professional and other expenses			(3,917)
Finance costs – excluding distribution to Unitholders			<u>(70,984)</u>
Loss before tax and distribution to Unitholders			<u>(46,131)</u>

Segment assets and liabilities

As at 30th June, 2022, 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\$22,404,000,000 (31st December, 2021: HK\$21,957,000,000) and HK\$786,000,000 (31st December, 2021: HK\$767,000,000), 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, 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>

Six months ended 30th June, 2021

	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Capital expenditures	<u>4,069</u>	<u>31</u>	<u>4,100</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, 2022, revenue of HK\$336,513,000 (six months ended 30th June, 2021: HK\$287,380,000) 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.

5. NET RENTAL AND HOTEL INCOME

	Notes	Six months ended 30th June, 2022 (unaudited) HK\$'000	Six months ended 30th June, 2021 (unaudited) HK\$'000
Gross rental revenue			
Rental income			
Initial Hotels	(a)	264,251	230,000
iclub Wan Chai Hotel – Non-hotel portions		3,305	2,413
iclub Sheung Wan Hotel	(b)	13,500	13,000
iclub Fortress Hill Hotel	(c)	27,282	13,000
iclub Ma Tau Wai Hotel	(d)	30,332	30,332
Other income		1,148	1,048
		<u>339,818</u>	<u>289,793</u>
Property operating expenses		<u>(1,735)</u>	<u>(1,596)</u>
Net rental income		<u>338,083</u>	<u>288,197</u>
Gross hotel revenue			
Hotel operating expenses	(f)	<u>(5,464)</u>	<u>(5,458)</u>
Net hotel income/(loss)		<u>2,333</u>	<u>(163)</u>
Net rental and hotel income		<u>340,416</u>	<u>288,034</u>
Revenue from contracts with customers			
Gross hotel revenue	(e)	<u>7,797</u>	<u>5,295</u>
Revenue from other sources			
Gross rental income		<u>339,818</u>	<u>289,793</u>

Notes:

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

	Six months ended 30th June, 2022 (unaudited) HK\$'000	Six months ended 30th June, 2021 (unaudited) HK\$'000
Base rent	237,500	230,000
Variable rent	26,751	—
	<u>264,251</u>	<u>230,000</u>

Variable rent will be subject to adjustment based on their aggregate NPI to be achieved for the whole year.

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

	Six months ended 30th June, 2022 (unaudited) HK\$'000	Six months ended 30th June, 2021 (unaudited) HK\$'000
Base rent	13,500	13,000
Variable rent	—	—
	<u>13,500</u>	<u>13,000</u>

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

	Six months ended 30th June, 2022 (unaudited) HK\$'000	Six months ended 30th June, 2021 (unaudited) HK\$'000
Base rent	13,500	13,000
Variable rent	13,782	—
	<u>27,282</u>	<u>13,000</u>

Variable rent will be subject to adjustment based on the NPI to be achieved for the whole year.

(d) An analysis of the iclub Ma Tau Wai Hotel rental income is as follows:

	Six months ended 30th June, 2022 (unaudited) HK\$'000	Six months ended 30th June, 2021 (unaudited) HK\$'000
Contractual cash rental income	34,000	32,300
Difference in accounting rental income and contractual cash rental income	(3,668)	(1,968)
	<u>30,332</u>	<u>30,332</u>

(e) Gross hotel revenue is recognised over time.

(f) Included subsidies of HK\$600,000 (six months ended 30th June, 2021: Nil) granted by the Government of the Hong Kong Special Administrative Region under the Anti-epidemic Fund during the period. There were no unfulfilled conditions relating to these grants.

6. REIT MANAGER FEES

	Six months ended 30th June, 2022 (unaudited) HK\$'000	Six months ended 30th June, 2021 (unaudited) HK\$'000
Base fees	34,055	33,805
Variable fees	<u>10,291</u>	<u>8,669</u>
	<u>44,346</u>	<u>42,474</u>

For the financial years 2022 and 2021, the REIT Manager elected to receive its base fees and variable fees in the form of cash.

7. FINANCE COSTS – EXCLUDING DISTRIBUTION TO UNITHOLDERS

	Six months ended 30th June, 2022 (unaudited) HK\$'000	Six months ended 30th June, 2021 (unaudited) HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on interest-bearing bank borrowings	78,208	58,670
Amortisation of debt establishment costs	11,390	10,571
Interest expense on lease liabilities	<u>176</u>	<u>112</u>
	89,774	69,353
Others, net of compensation income	<u>(4,428)</u>	<u>1,631</u>
	<u>85,346</u>	<u>70,984</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June, 2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30th June, 2022 (unaudited) HK\$'000	Six months ended 30th June, 2021 (unaudited) HK\$'000
Current	25,411	15,870
Overprovision in prior years	(10)	(40)
Deferred	<u>8,783</u>	<u>12,503</u>
Total tax charge for the period	<u>34,184</u>	<u>28,333</u>

9. EARNINGS/(LOSS) 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\$613,076,000 (six months ended 30th June, 2021: loss of HK\$74,464,000) and 3,257,431,189 Units in issue (six months ended 30th June, 2021: 3,257,431,189 Units). The basic earnings per Unit attributable to Unitholders for the period amounted to HK\$0.188 (six months ended 30th June, 2021: basic loss per Unit of HK\$0.023).

The diluted earnings/(loss) per Unit attributable to Unitholders is the same as the basic earnings/(loss) per Unit attributable to Unitholders as there were no dilutive instruments in issue during the period (six months ended 30th June, 2021: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Authorised investments
	Hotel properties
	HK\$'000
At 1st January, 2021	543,000
Additions	54
Surplus on revaluation	39,656
Depreciation provided during the year	(7,710)
At 31st December, 2021 (audited) and 1st January, 2022	575,000
Additions	73
Surplus on revaluation	19,925
Depreciation provided during the period	(3,998)
At 30th June, 2022 (unaudited)	591,000

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, an independent property valuer and the principal valuer of Regal REIT, at HK\$591,000,000 as at 30th June, 2022 (31st December, 2021: HK\$575,000,000). A revaluation surplus of HK\$19,925,000 (31st December, 2021: HK\$39,656,000) resulting from the valuation as at 30th June, 2022 has been credited to other comprehensive income.

The carrying amount of the Group's property, plant and equipment would have been HK\$379,968,000 (31st December, 2021: HK\$382,965,000) had such assets been stated in the condensed consolidated financial statements at cost less accumulated depreciation.

11. INVESTMENT PROPERTIES

	<u>Authorised investments</u>		
	Hotel properties HK\$'000	Commercial properties HK\$'000	Total HK\$'000
At 1st January, 2021	21,644,000	185,000	21,829,000
Fair value changes	302,281	7,000	309,281
Capital expenditures for the year	10,719	–	10,719
At 31st December, 2021 (audited) and 1st January, 2022	21,957,000	192,000	22,149,000
Fair value changes	441,256	3,000	444,256
Capital expenditures for the period	5,744	–	5,744
At 30th June, 2022 (unaudited)	<u>22,404,000</u>	<u>195,000</u>	<u>22,599,000</u>

The Group's investment properties were valued by Colliers at HK\$22,599,000,000 as at 30th June, 2022 (31st December, 2021: HK\$22,149,000,000).

12. ACCOUNTS RECEIVABLE

	30th June, 2022 (unaudited) HK\$'000	31st December, 2021 (audited) HK\$'000
Difference in accounting rental income and contractual cash rental income	1,007	4,675
Variable rent receivables	40,533	–
Other accounts receivable	375	244
	<u>41,915</u>	<u>4,919</u>

The difference in accounting rental income and contractual cash rental income is recognised as revenue in the condensed consolidated statement of profit or loss on the straight-line basis over the lease term in accordance with the Group's accounting policy.

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 variable rent receivables represent amounts due from a related company which are unsecured, interest-free and receivable in accordance with the terms of the respective agreements.

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.

13. ACCOUNTS PAYABLE

	30th June, 2022 (unaudited) HK\$'000	31st December, 2021 (audited) HK\$'000
Amounts due to related companies	24,203	31,811
Other accounts payable	<u>274</u>	<u>294</u>
	<u><u>24,477</u></u>	<u><u>32,105</u></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.

14. NUMBER OF UNITS IN ISSUE

	Number of Units	
	30th June, 2022 (unaudited)	31st December, 2021 (audited)
At beginning and end of the period/year	<u><u>3,257,431,189</u></u>	<u><u>3,257,431,189</u></u>

15. 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, 2022 of HK\$12,643,069,000 (31st December, 2021: HK\$12,146,911,000) by the number of Units in issue of 3,257,431,189 (31st December, 2021: 3,257,431,189) as at that date.

16. 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, 2021	(25,395)	(626,168)	8,519	(643,044)
Deferred tax charged to other comprehensive income during the year	(6,543)	–	–	(6,543)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	<u>252</u>	<u>(24,060)</u>	<u>(510)</u>	<u>(24,318)</u>
Gross deferred tax assets/(liabilities) at 31st December, 2021 (audited)	<u>(31,686)</u>	<u>(650,228)</u>	<u>8,009</u>	<u>(673,905)</u>
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 period	(3,288)	–	–	(3,288)
Deferred tax credited/(charged) to the condensed consolidated statement of profit or loss during the period	<u>153</u>	<u>(9,243)</u>	<u>307</u>	<u>(8,783)</u>
Gross deferred tax assets/(liabilities) at 30th June, 2022 (unaudited)	<u>(34,821)</u>	<u>(659,471)</u>	<u>8,316</u>	<u>(685,976)</u>

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

EMPLOYEES

Regal REIT is managed by the REIT Manager and DB Trustees (Hong Kong) Limited acts as the trustee of Regal REIT. By contracting out such services, Regal REIT does not employ any staff in its own right.

NEW UNITS ISSUED

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

BUY-BACK, SALE OR REDEMPTION OF UNITS

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

CORPORATE GOVERNANCE

The REIT Manager has adopted a compliance manual (the “**Compliance Manual**”) 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PUBLIC FLOAT

As at 30th June, 2022, 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.

REVIEW OF INTERIM RESULTS

Regal REIT's condensed consolidated financial statements for the Interim Period have not been audited, but have been reviewed by Ernst & Young, the external auditors of Regal REIT, whose review report is contained in the Interim Report of Regal REIT for the six months ended 30th June, 2022 to be despatched to Unitholders.

The Disclosure Committee and the Audit Committee of the REIT Manager have reviewed Regal REIT's condensed consolidated financial statements for the Interim Period, including the accounting principles and practices adopted by Regal REIT, in conjunction with the external auditors of Regal REIT.

ISSUANCE OF INTERIM REPORT

The Interim Report of Regal REIT for the Interim Period is expected to be despatched to Unitholders on or before 9th September, 2022.

By Order of the Board
Regal Portfolio Management Limited
(as manager of Regal Real Estate Investment Trust)
LO Yuk Sui
Chairman

Hong Kong, 25th August, 2022

As at the date of this announcement, the Board of Directors of the REIT Manager comprises Mr. LO Yuk Sui as Chairman and Non-executive Director; Miss LO Po Man as Vice Chairman and Non-executive Director; Mr. Johnny CHEN Sing Hung and Mr. Simon LAM Man Lim as Executive Directors; Mr. Donald FAN Tung, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai as Non-executive Directors; and Mr. John William CRAWFORD, JP, Mr. Bowen Joseph LEUNG Po Wing, GBS, JP, Mr. Kai Ole RINGENSON and Mr. Abraham SHEK Lai Him, GBS, JP as Independent Non-executive Directors.