



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)



2024  
INTERIM REPORT

Managed by



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



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## CORPORATE INFORMATION

### MANAGER OF REGAL REIT

Regal Portfolio Management Limited (the “REIT Manager”)  
Unit No. 2001, 20th Floor,  
68 Yee Wo Street,  
Causeway Bay,  
Hong Kong.  
Tel: 2805-6336  
Fax: 2577-8686  
Email: info@regalreit.com

### 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  
Hua Xia Bank Co., Limited Hong Kong Branch  
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,  
Hopewell Centre,  
183 Queen’s Road East,  
Wan Chai,  
Hong Kong.

### 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 2024 Interim Report of Regal Real Estate Investment Trust.

### FINANCIAL RESULTS

For the Interim Period ended 30th June, 2024, Regal REIT recorded an unaudited consolidated loss before distribution to Unitholders of HK\$19.8 million, as compared to a profit of HK\$105.2 million for the corresponding period in 2023. During the Interim Period, there was a gain of HK\$16.5 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, 2024, as compared to its last appraised value as of 31st December, 2023. For the corresponding period last year, a fair value gain of HK\$120.0 million was recorded. If these fair value changes are excluded, Regal REIT would record a core operating loss before distribution to Unitholders for the Interim Period of HK\$36.3 million, as compared to a loss of HK\$14.8 million for the same period in 2023. The loss for the Interim Period was mainly attributable to the increased financial expenses incurred, which amounted to HK\$326.1 million (2023 – HK\$260.9 million), as the Hong Kong Interbank Offered Rates (HIBOR), on which the borrowing costs of most of Regal REIT's bank loans are based, continued to remain at relatively high levels during the first half of this year.

Consequently, there is an adjusted loss of HK\$43.8 million for the Interim Period, after taking into account the various non-cash adjustments, as compared to an adjusted loss of HK\$19.4 million recorded for the corresponding period in 2023. The Directors of the REIT Manager have therefore decided not to declare any interim distribution for the six months ended 30th June, 2024 (2023 interim distribution – Nil).

### HOTEL MARKET AND BUSINESS REVIEW

According to a recent report released by the World Bank Group, the global economy is stabilising and, despite elevated financing costs and heightened geopolitical tensions, is projected to hold a steady growth of 2.6% this year. Based on the preliminary estimates, the Gross Domestic Product (GDP) of China in the first half of 2024 was up by 5.0% year-on-year, with steady progress made in transformation and upgrading. However, faced with a complex external environment, the domestic consumption demand in China remains insufficient and the foundation for a sound economic recovery still needs to be strengthened. The Hong Kong economy continued to record moderate growth in the second quarter of 2024, with its real GDP having grown by 3.3% over the same quarter a year earlier, but its private consumption expenditure has turned to a slight decline.

Total visitors to Hong Kong in the first half of 2024 amounted to 21.2 million, representing an increase of 64.2% year-on-year, of which 16.1 million were visitors from Mainland China. Among all visitor arrivals, 49.8% were overnight visitors, with an average length of stay of 3.2 nights. Apart from the strong growth in Mainland visitors, there were also visible increases in the number of visitors from the traditional long haul, short haul as well as other new markets, as compared to the year before. However, despite these improvements, the number of total incoming visitors to Hong Kong during this Interim Period only represents about 60.7% of the peak level recorded in the first half of 2019. Therefore, more promotional efforts will be required from the Hong Kong Government and the tourism industry as a whole to restore full recovery.

According to 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 80.0% in 2023 to 83.0% in 2024, while the average achieved room rate improved by 5.3%, resulting in an increment in the average Revenue per Available Room (RevPAR) of 9.2% year-on-year.

Due to the changes in the consumption patterns of the visitors from Mainland China, the impact of a relatively strong Hong Kong dollar as well as the shortage in the supply of service labour, the operating environment of the hospitality industry in Hong Kong during the period has been competitive and challenging. The combined average occupancy of the five Initial Hotels in Hong Kong, which operate as full-service hotels under the “Regal” brand name, during the Interim Period was 65.6%, as compared to 66.8% for the same period last year. However, their combined average room rate has managed to increase by 12.4% and, consequently, there is an improvement in their combined average RevPAR of 10.4% year-on-year. Aggregate net property income for the Initial Hotels for the Interim Period amounted to HK\$164.9 million, which was 21.1% above the comparative amount of HK\$136.2 million attained in 2023.

The prevailing aggregate base rent for 2024 for these Initial Hotels, which are leased to a wholly-owned subsidiary of Regal Hotels International Holdings Limited (“RHHL”), the immediate listed holding company of Regal REIT, has been determined to be HK\$544.0 million. As the aggregate net property income of these five hotels for the Interim Period was below the pro-rated aggregate base rent of HK\$272.0 million, no variable rent was earned.

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 for the Interim Period from this property, including the lease rentals from the non-hotel portions, has improved by 11.2% as compared to the same period in 2023.

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 RHHL lessee, with aggregate base rent of HK\$118.0 million for 2024. During the Interim Period, these three iclub Hotels recorded a combined average occupancy level of 80.7%, which was 6.6% below that of the corresponding period in 2023. However, as their combined average room rate has increased by 14.2%, their combined average RevPAR has consequently improved by 6.7% year-on-year. As the net property income of each of these three iclub Hotels was below the pro-rated base rent for the Interim Period, no variable rent was earned.

Further details on the hotel properties owned by Regal REIT, including their detailed lease terms and their operating data for the first half of 2024, are contained in the section “Management Discussion and Analysis” in this Interim Report.

## BUSINESS OUTLOOK

With the continuous support from the Central Government, the Individual Visit Scheme (IVS) was expanded in March this year by adding Xi’an and Qingdao. In 2 months’ time, the IVS was further extended in May 2024 to residents from eight other cities in the Mainland, which now covers a total of 59 cities, including all provincial capitals in China. In addition, effective from August this year, the duty-free allowance for luggage articles brought into China from Hong Kong by visitors who are Mainland residents has been increased from the previous level of RMB5,000 to RMB12,000. All these supportive initiatives will substantially benefit the tourist industry in Hong Kong by increasing the demands in the local hotel, retail and catering sectors.

One of the key goals of the Hong Kong Government this year is to leverage on the convening of major events to reinforce Hong Kong's diversified tourism. It was announced that there would be over one hundred mega events to take place in Hong Kong in the second half of this year, spanning a variety of theme areas, including conventions and exhibitions, finance and technology, cultural, arts, festivals and other related events. It is anticipated that these mega events will attract a large number of visitors to Hong Kong from this high-spending market segment, which will contribute significant economic value to the local economy.

The Hong Kong Government expects that the economy in Hong Kong will see further growth in the second half of this year and is maintaining a growth forecast in the range of 2.5% to 3.5% for the whole year. Though the United States Federal Reserve has yet to initiate the process of interest rate cuts, it is now widely forecasted that reductions in the interest rates in the United States will begin this coming September. In any event, in order to hedge against any unexpected reversionary movements in the interest rates, Regal REIT has entered into several interest rate swap transactions in early February and July 2024 to swap the interest expenses on part of its outstanding bank loans from floating rates to fixed rates, as they can serve to reduce the financial expenses of Regal REIT in the near term.

Although Regal REIT has reported an adjusted loss for this Interim Period, given the steady income stream generated by its hotel portfolio under the current leasing structure, the Directors are hopeful that, as the interest rates in Hong Kong return to normal levels, Regal REIT will be able to regain positive performance in its core operating results.

**Lo Yuk Sui**

*Chairman*

**Regal Portfolio Management Limited**

(as the REIT Manager of Regal REIT)

Hong Kong, 28th August, 2024

## 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, 2024 to 30th June, 2024 (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) the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel (collectively, the “Initial Hotels”); and (b) the iclub Wan Chai Hotel, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan 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 the 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.

The iclub Sheung Wan Hotel is leased to the RHIHL Lessee with the lease term expiring on 31st December, 2024 under a lease agreement (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 11th January, 2024, Regal REIT and the RHIHL Lessee entered into supplemental deeds amending (a) the SW Lease Agreement to extend the lease term of ten years from 1st January, 2025 to 31st December, 2034; and (b) the SW Hotel Management Agreement to extend its term from the expiry date of its current term (i.e., 9th February, 2024) to 31st December, 2034 with the inclusion of a new non-fault based early termination provision exercisable only by the lessor, respectively. The market rental packages for the extended lease term of the iclub Sheung Wan Hotel will continue to be determined annually by a jointly appointed independent professional property valuer. Such extended terms for the SW Lease Agreement and the SW Hotel Management Agreement were approved by the independent Unitholders at the extraordinary general meeting of Regal REIT held on 31st January, 2024.

The iclub Fortress Hill Hotel is leased to the RHIHL Lessee with the lease term expiring on 31st December, 2024 under a lease agreement (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 11th January, 2024, Regal REIT and the RHIHL Lessee entered into supplemental deeds amending (a) the FH Lease Agreement to extend the lease term of ten years from 1st January, 2025 to 31st December, 2034; and (b) the FH Hotel Management Agreement to extend its term from the expiry date of its current term (i.e., 27th July, 2024) to 31st December, 2034 with the inclusion of a new non-fault based early termination provision exercisable only by the lessor, respectively. The market rental packages for the extended lease term of the iclub Fortress Hill Hotel will continue to be determined annually by a jointly appointed independent professional property valuer. Such extended terms for the FH Lease Agreement and the FH Hotel Management Agreement were approved by the independent Unitholders at the extraordinary general meeting of Regal REIT held on 31st January, 2024.

The iclub To Kwa Wan Hotel is leased to the RHIHL Lessee with the lease term expiring on 31st December, 2027 under a lease agreement (the “TKW Lease Agreement”). 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
		<hr/>	
		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
		<hr/>	
		1,025	
<b>Total</b>		<hr/> <b>4,918</b> <hr/>	

## 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 the 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 the 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 2024***

An independent professional property valuer, Ms. Stella Ho, was jointly appointed by the lessors and the RHIHL Lessee in June 2023 to conduct rent reviews for the Initial Hotels for 2024. According to the determination of the IH Market Rental Package for 2024, the aggregate amount payable by the RHIHL Lessee as annual Base Rent was determined to be HK\$544.0 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 2024. 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\$136.0 million, which is equivalent to three months' aggregate Base Rent of the Initial Hotels for 2024. Details of the IH Market Rental Package for 2024 can be referred to in an announcement published by the REIT Manager on 12th September, 2023.

### ***IH Market Rental Package for 2025***

The market rental review for the Initial Hotels for 2025 is to be conducted by Mr. Alnwick Chan, a newly appointed independent professional property valuer, and the IH Market Rental Package for 2025 will be determined and reported before the end of September 2024.

## **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 its supplemental deed, 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, 2034, 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 2024***

The same independent professional property valuer, Ms. Stella Ho, was jointly appointed in June 2023 to conduct a rent review for the iclub Sheung Wan Hotel for 2024. According to the determination of the SW Market Rental Package for 2024, the annual Base Rent payable by the RHIHL Lessee is HK\$42.0 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\$10.6 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Sheung Wan Hotel for 2024. Details of the SW Market Rental Package for 2024 can be referred to in an announcement published by the REIT Manager on 12th September, 2023.

#### ***SW Market Rental Package for 2025***

The market rental review for the iclub Sheung Wan Hotel for 2025 is to be conducted by Mr. Alnwick Chan, the newly appointed independent professional property valuer, and the SW Market Rental Package for 2025 will be determined and reported before the end of September 2024.

#### **iclub Fortress Hill Hotel - Rental Structure and Market Rental Package**

Pursuant to the FH Lease Agreement and its supplemental deed, 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, 2034, 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 2024***

The same independent professional property valuer, Ms. Stella Ho, was jointly appointed in June 2023 to conduct a rent review for the iclub Fortress Hill Hotel for 2024. According to the determination of the FH Market Rental Package for 2024, the annual Base Rent payable by the RHIHL Lessee is HK\$40.0 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\$10.3 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Fortress Hill Hotel for 2024. Details of the FH Market Rental Package for 2024 can be referred to in an announcement published by the REIT Manager on 12th September, 2023.

#### ***FH Market Rental Package for 2025***

The market rental review for the iclub Fortress Hill Hotel for 2025 is to be conducted by Mr. Alnwick Chan, the newly appointed independent professional property valuer, and the FH Market Rental Package for 2025 will be determined and reported before the end of September 2024.

#### **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.

After the lapse of the five initial lease years, market rent 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 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 2024***

The same independent professional property valuer, Ms. Stella Ho, was jointly appointed in June 2023 to conduct a rent review for the iclub To Kwa Wan Hotel for 2024. According to the determination of the TKW Market Rental Package for 2024, the annual Base Rent payable by the RHIHL Lessee is HK\$36.0 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\$9.3 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub To Kwa Wan Hotel for 2024. Details of the TKW Market Rental Package for 2024 can be referred to in an announcement published by the REIT Manager on 12th September, 2023.

#### ***TKW Market Rental Package for 2025***

The market rental review for the iclub To Kwa Wan Hotel for 2025 is to be conducted by Mr. Alnwick Chan, the newly appointed independent professional property valuer, and the TKW Market Rental Package for 2025 will be determined and reported before the end of September 2024.

### **Furniture, Fixtures & Equipment Reserve**

Regal REIT is obligated under the respective Initial Hotels Lease Agreements, the Wan Chai Hotel Management Agreement, the SW Lease Agreement and its supplemental deed, the FH Lease Agreement and its supplemental deed 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.

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\$13.1 million was contributed to the FF&E reserve with corresponding expenditures of HK\$24.8 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 2024 versus 1H 2023<sup>1</sup>

Visitors to Hong Kong by Geographical Regions	1H 2024 (% of total visitors)	1H 2024 (No. of visitors)	1H 2023 (No. of visitors)	Variance (No. of visitors)	Variance (%)
Mainland China	76.3%	16,140,863	10,110,750	6,030,113	59.6%
South & Southeast Asia	8.0%	1,684,517	905,206	779,311	86.1%
North Asia	3.3%	691,051	218,107	472,944	216.8%
Taiwan	2.8%	582,235	311,360	270,875	87.0%
Europe, Africa & the Middle East	3.1%	649,005	345,656	303,349	87.8%
The Americas	3.1%	651,925	321,698	330,227	102.7%
Australia, New Zealand & South Pacific	1.0%	206,564	102,572	103,992	101.4%
Macau SAR/Not identified	2.6%	545,075	568,530	(23,455)	(4.1%)
Totals	100%	21,151,235	12,883,879	8,267,356	64.2%
Overnight visitors included in above	49.8%	10,542,278	6,577,835	3,964,443	60.3%

During the first half of 2024, the visitor arrival numbers reported an increase of 8.3 million, mainly due to the continue recovery from the pandemic, representing an increase of 64.2% year-on-year.

Mainland China visitors increased by 59.6%, reaching 16.1 million and accounting for 76.3% 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 74.9%, aggregating to 3.5 million and representing 16.6% of the total visitor arrivals to Hong Kong.

Similarly, visitors from long-haul markets also recorded a growth. Visitor arrivals increased by 95.8%, with total arrivals aggregating to 1.5 million. Visitors from the Americas recorded an increase of 102.7%, and, thereby, taking up 3.1% of total visitors. Arrivals from the Europe, Africa and the Middle East markets also recorded an increase of 87.8%, with the visitor numbers reaching approximately 0.6 million or 3.1% of total arrivals.

During the period, overnight staying visitors amounted to about 10.5 million, representing 49.8% of total arrivals, with an increase of 60.3% as compared to the same period last year.

<sup>1</sup> Source: Research, Hong Kong Tourism Board, "Visitor Arrival Statistics – Jun 2024", July 2024; "Visitor Arrival Statistics – Jun 2023", July 2023; the REIT Manager.

### Review of Hotel Rooms Supply in Hong Kong

During the first quarter of 2024, the hotel room supply in Hong Kong reported an increase of 392 units as compared to 2023 year-end, reflecting a mild growth of 0.4% from 90,109 to 90,501 rooms. During the period, 3 new hotels opened. The number of hotel properties increased from 321 to 324, representing an increase by 0.9%. By the end of 2024, it is estimated that the number of hotel properties will increase by 5 to 326 or a growth of 1.6% and the hotel room supply will reach 91,117 (FY2023: 90,109 units), for an anticipated growth of around 1.1% over the previous year.<sup>2</sup>

### 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 2024 versus 1H 2023) <sup>3</sup>					
	Room Occupancy Rates		Average Room Rates		RevPAR	
	1H 2024	1H 2023	1H 2024	1H 2023	1H 2024	1H 2023
	%	%	HK\$	HK\$	HK\$	HK\$
High Tariff A	<b>76</b>	73	<b>2,322</b>	2,218	<b>1,765</b>	1,619
High Tariff B	<b>85</b>	83	<b>1,067</b>	1,013	<b>907</b>	841
Medium Tariff	<b>86</b>	80	<b>715</b>	667	<b>615</b>	534
All Hotels	<b>83</b>	80	<b>1,368</b>	1,299	<b>1,135</b>	1,039

During the first half of 2024, the number of visitor arrivals continued to improve. The overall hotel occupancy rate improved to 83.0%, which was up by 3.0 percentage points year-on-year, while the industry-wide average room rate also improved by 5.3% to HK\$1,368 per night. Both factors contributed to an increase to the hotel industry's RevPAR by about HK\$96 or improved by 9.2% 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 stable income protection from the base rents determined under the respective market rental packages 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.

<sup>2</sup> Source: Research, Hong Kong Tourism Board, "Hotel Supply Situation – as at Mar 2024", June 2024; the REIT Manager.

<sup>3</sup> Source: Research, Hong Kong Tourism Board, "Hotel Room Occupancy Report – Jun 2024", July 2024; the REIT Manager.

During the period under review, the five Initial Hotels achieved growth of 7.3% and 21.1% in total hotel revenue and net property income, respectively, as compared to the first six months in 2023. However, there was still a lack of long-haul customers as the source filling up the Regal Airport Hotel which attributes almost 24% of the aggregate room quantities of Regal REIT's portfolio.

The three iclub hotels, namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel, operating under leases have all performed satisfactorily, achieving improvements in hotel revenue, net property income and RevPAR, as compared to the same period last year. Remarkably, the iclub Wan Chai Hotel, a self-operated hotel without lease, achieved an average occupancy of almost 92% which surpassed the industry average of 85%.

More details on the hotel performances will be discussed in the following section.

### **Performance of the Initial Hotels**

Total hotel revenue, gross operating profit and NPI and statistics for the combined Initial Hotels for 1H 2024 versus 1H 2023 are set out below.

	1H 2024 HK\$'million	1H 2023 HK\$'million	Variance HK\$'million	Variance %
<b>Operating Results</b>				
Room revenue	410.0	369.4	40.6	11.0%
Food and beverage revenue	132.2	136.3	(4.1)	(3.0%)
Other income	9.0	8.0	1.0	12.5%
Total hotel revenue	<u>551.2</u>	<u>513.7</u>	37.5	7.3%
Operating expenses	<u>(384.0)</u>	<u>(377.4)</u>	(6.6)	(1.7%)
Gross operating profit	167.2	136.3	30.9	22.7%
Other expenses	(19.8)	(20.8)	1.0	4.8%
Net rental income	<u>17.5</u>	<u>20.7</u>	(3.2)	(15.5%)
Net property income	<u><u>164.9</u></u>	<u><u>136.2</u></u>	28.7	21.1%
<b>Statistics</b>				
Average room rate	HK\$882.24	HK\$784.73	HK\$97.51	12.4%
Occupancy rate	65.6%	66.8%	(1.2%)	(1.8%)
RevPAR	HK\$578.71	HK\$524.22	HK\$54.49	10.4%
Total available rooms nights	708,526	704,633	3,893	0.6%
Occupied room nights	464,761	470,715	(5,954)	(1.3%)



Total hotel revenue for the Initial Hotels recorded a combined result of HK\$551.2 million, as compared to the HK\$513.7 million for the same period last year, posting an increase of HK\$37.5 million or 7.3%. Gross operating profit was HK\$167.2 million as compared to HK\$136.3 million for the same period last year. As a result, the NPI was HK\$164.9 million, representing an increase of HK\$28.7 million.

For the period under review, the average occupancy of the Initial Hotels attained a combined 65.6% (1H2023: 66.8%). The combined average room rate recorded an increase of 12.4% to HK\$882.24 (1H2023: HK\$784.73). As a result, the RevPAR of the Initial Hotels was HK\$578.71 (1H2023: HK\$524.22), representing an increase of 10.4% year-on-year.

#### **Base Rent**

According to the IH Market Rental Package for 2024, the prevailing aggregate base rent for 2024 was HK\$544.0 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\$272.0 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\$164.9 million from hotel operations of the Initial Hotels was below the pro-rated base rent of HK\$272.0 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 91.9% with an average room rate of HK\$857.48 or an increase of 6.7% from the HK\$803.67 as reported in the same period last year.

For the six months ended 30th June, 2024, iclub Wan Chai Hotel - hotel portion contributed gross hotel revenue of HK\$14.5 million and incurred operating costs and expenses amounting to HK\$8.2 million. For the non-hotel portions comprising retail and commercial premises, rental income of HK\$3.5 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 85.9%, while the average daily room rate of approximately HK\$858.54 represented an increase of 26.4% over the same period last year.

#### **Base Rent**

According to the SW Market Rental Package for 2024, Regal REIT received Base Rent in the form of cash on a monthly basis and in the Interim Period, thereby earned and received HK\$21.0 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\$17.7 million which fell short from the base rent amount, 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 82.4% with an average daily room rate of approximately HK\$561.97, an increase of HK\$25.11 or 4.7% over the same period last year.

#### **Base Rent**

According to the FH Market Rental Package for 2024, Regal REIT received Base Rent in the form of cash on a monthly basis and in the Interim Period, thereby earned and received HK\$20.0 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\$12.6 million which fell short from the base rent amount, 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 75.2% with an average daily room rate of approximately HK\$562.37 representing an increase of 11.5% over the same period last year.

#### **Base Rent**

According to the TKW Market Rental Package for 2024, 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\$18.0 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\$11.0 million which fell short from the base rent amount, therefore, no Variable Rent was earned.

## Net Rental and Hotel Income

An analysis of the net rental and hotel income for the Interim Period compared to the corresponding period in 2023 is set out below.

	Six months ended 30th June, 2024		Six months ended 30th June, 2023	
	HK\$'million	%	HK\$'million	%
Initial Hotels				
Base Rent	272.0	77.6	240.0	79.0
Variable Rent	—	—	—	—
Other income	1.3	0.4	1.3	0.4
iclub Sheung Wan Hotel				
Rental income	21.0	6.0	16.0	5.3
iclub Fortress Hill Hotel				
Rental income	20.0	5.7	15.0	4.9
iclub To Kwa Wan Hotel				
Rental income	18.0	5.1	15.0	4.9
iclub Wan Chai Hotel				
Gross hotel revenue	14.5	4.1	13.9	4.6
Rental income	3.5	1.1	2.8	0.9
Gross rental and hotel income	<b>350.3</b>	<b>100.0</b>	304.0	100.0
Property operating expenses	(1.9)	(0.5)	(1.9)	(0.6)
Hotel operating expenses	(8.2)	(2.3)	(7.8)	(2.6)
Net rental and hotel income	<b>340.2</b>	<b>97.2</b>	294.3	96.8

During the Interim Period, net rental and hotel income represented 97.2% 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, 2024, net assets attributable to Unitholders amounted to HK\$13,077.9 million (31st December, 2023: HK\$13,073.9 million), representing a net asset value (“NAV”) per Unit attributable to Unitholders of HK\$4.015, which was above the NAV of HK\$4.014 per Unit as at 31st December, 2023, mainly due to the slight increase in the fair value of the property portfolio.

## Valuation of the Property Portfolio

As at 30th June, 2024, Regal REIT’s overall property portfolio was valued at HK\$24,046.0 million (31st December, 2023: HK\$23,988.0 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, 2024 and 31st December, 2023 are tabulated below.

Property	Location	30 Jun 2024 Valuation HK\$ million	31 Dec 2023 Valuation HK\$ million	% Change
<i>Initial Hotels:</i>				
Regal Airport Hotel	Lantau Island	1,279	1,429	-10.5%
Regal Hongkong Hotel	HK Island	4,356	4,322	0.8%
Regal Kowloon Hotel	Kowloon	6,006	5,953	0.9%
Regal Oriental Hotel	Kowloon	1,809	1,805	0.2%
Regal Riverside Hotel	New Territories	5,173	5,146	0.5%
		<b>18,623</b>	18,655	-0.2%
<i>iclub Hotels:</i>				
iclub Wan Chai Hotel	HK Island	850	833	2.0%
iclub Sheung Wan Hotel	HK Island	1,629	1,579	3.2%
iclub Fortress Hill Hotel	HK Island	1,574	1,560	0.9%
iclub To Kwa Wan Hotel	Kowloon	1,370	1,361	0.7%
<b>Overall property portfolio</b>		<b>24,046</b>	23,988	0.2%

The valuations of the property portfolio as at 30th June, 2024 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 distribution, if any, for the interim period of each financial year is at the discretion of the REIT Manager.

### Interim Distribution for 2024

There is an adjusted loss of HK\$43.8 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 (2023 interim distribution - Nil).

## 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, 2024, Regal REIT's loan facilities aggregating HK\$10,409.5 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\$2,850.0 million secured by the Regal Kowloon Hotel; (c) a term loan facility of HK\$405.0 million secured by the iclub Wan Chai Hotel; (d) a term loan facility of HK\$749.5 million secured by the iclub Sheung Wan Hotel; (e) a term loan facility of HK\$755.0 million secured by the iclub Fortress Hill Hotel; and (f) a term loan facility of HK\$650.0 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, 2024, the 2021 IH Facilities had an outstanding amount of HK\$4,996.8 million, representing the full amount of the term loan facility and an amount of HK\$496.8 million under the revolving loan facility.

On 24th June, 2022, Regal REIT arranged, through a wholly-owned subsidiary, a term loan facility of HK\$2,950.0 million (the "2022 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. This facility bears HIBOR-based interest and has a term of five years to June 2027. As at 30th June, 2024, the outstanding amount of the 2022 RKH Facility was HK\$2,850.0 million, after instalment repayment of HK\$50.0 million each in June 2023 and June 2024, respectively, representing the full amount of the outstanding 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 in compliance with the terms of the facility agreement. As at 30th June, 2024, the outstanding facility amount of the 2019 WC Facility was HK\$405.0 million.

After the end of the Interim Period, on 18th July, 2024, a new term loan facility of HK\$416.5 million (the “2024 WC Facility”) was arranged with a new lender, similarly secured by the iclub Wan Chai Hotel, which was used primarily to refinance the 2019 WC Facility that matured in July 2024. The 2024 WC Facility carries interest based on HIBOR and has a loan maturity of December 2027.

### ***Financing for iclub Sheung Wan Hotel***

On 17th October, 2023, Regal REIT arranged, through a wholly-owned subsidiary, a new bilateral term loan facility of HK\$749.5 million secured by the iclub Sheung Wan Hotel (the “2023 SW Facility”) to replace the previous term and revolving loan facilities of HK\$790.0 million. The 2023 SW Facility bears HIBOR-based interest with a four-year term to October 2027. As at 30th June, 2024, the outstanding amount of the 2023 SW Facility was HK\$749.5 million, representing the full amount of the term loan.

### ***Financing for iclub Fortress Hill Hotel***

On 27th November, 2023, Regal REIT arranged, through a wholly-owned subsidiary, another new bilateral term loan facility of HK\$755.0 million secured by the iclub Fortress Hill Hotel (the “2023 FH Facilities”) to replace the previous term and revolving loan facilities of HK\$825.0 million. The 2023 FH Facility bears HIBOR-based interest and has a term of five years to November 2028. As at 30th June, 2024, the outstanding amount of the 2023 FH Facility was HK\$755.0 million, representing the full amount of the term loan.

### ***Financing for iclub To Kwa Wan Hotel***

On 15th November, 2023, Regal REIT arranged, through a wholly-owned subsidiary, a new term loan facility of HK\$650.0 million, secured by the iclub To Kwa Wan Hotel (the “2023 TKW Facility”) with a term of two years to November 2025 and bearing HIBOR-based interest to replace the previous term loan facility of HK\$621.0 million. As at 30th June, 2024, the outstanding amount of the 2023 TKW Facility was HK\$650.0 million, representing the full amount of the term loan.

## Managing Fluctuations in Interest Rates

While the interest rates in Hong Kong have slowly receded from their high levels that prevailed in late 2023, the 1-month HIBOR fluctuated within a range of around 4.985% per annum at the start of the year to a low of 3.965% per annum and stayed at 4.610% per annum on 28th June, 2024<sup>4</sup>. Due to the high level of interest rates, the increase in finance costs has continued to adversely impact the financial results of Regal REIT.

With a view to reducing the financial expenses in the near term and hedging against any unexpected reversionary movements in the interest rates, Regal REIT entered into several interest rate swap (“IRS”) transactions in early February 2024 to swap the interest expenses from floating rates to fixed rates of 3.27% per annum to 3.66% per annum with terms ranging from 2.0 years to 3.6 years. The notional amount of the IRS transactions aggregated to HK\$1,100.0 million, which represented about 10.7% of the outstanding bank loans of Regal REIT as at the end of the reporting period. For the six-month period ended 30th June, 2024, these IRS transactions generated savings in interest costs of approximately HK\$3.9 million.

As at this reporting date, the committed notional amount of the fixed rates IRS transactions has been further increased to HK\$1,749.5 million or 17.1% of Regal REIT’s existing total loan amount. The REIT Manager will continue to monitor the interest rates trend and to assess any further hedging needs to manage the exposure of the interest rate fluctuations.

## Gearing and Cash

As at 30th June, 2024, the gearing ratio of Regal REIT was 42.6% (30th June, 2023: 42.8%), being the gross amount of the outstanding loans aggregating HK\$10,406.3 million, which took into account: (a) the 2021 IH Facilities of HK\$4,996.8 million; (b) the 2022 RKH Facility of HK\$2,850.0 million; (c) the 2019 WC Facility of HK\$405.0 million; (d) the 2023 SW Facility of HK\$749.5 million; (e) the 2023 FH Facility of HK\$755.0 million; and (f) the 2023 TKW Facility of HK\$650.0 million, as compared to the total gross assets of Regal REIT of HK\$24,423.0 million. The gearing ratio is below the maximum 50% permitted under the REIT Code.

As at 30th June, 2024, Regal REIT had a total of HK\$5.4 million in unrestricted and HK\$344.8 million in restricted cash balances and bank deposits, and unutilised revolving loan facilities of HK\$3.2 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, 2024, all nine Regal REIT’s properties with an aggregate carrying value of HK\$24,046.0 million were pledged to secure bank loan facilities granted to Regal REIT.

<sup>4</sup> Source: Bloomberg, Hong Kong Dollar HIBOR Fixings 1-Month: 2024.01.01 to 2024.06.30.

## OTHER INFORMATION AND DISCLOSURES

### PUBLIC FLOAT

As at 30th June, 2024, 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, 2024.

### 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 in material terms complied with the provisions of the Compliance Manual and, where applicable, the code provisions in the Corporate Governance Code as set out in Appendix C1 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 C3 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 2023 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, 2024, 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 entered into the supplemental lease agreement with the RHIHL Lessee to extend the leases (the “IH Lease Extensions”) 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 “IH Extended Period”), with the market rental packages for the IH 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 the 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 IH Lease Extensions. 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\$272.0 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 IH Lease Extensions, so that RHIHL’s obligation to maintain a third party guarantee will cover the IH 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 the 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\$0.62 million.

**(f) 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 with lease term expiring on 31st December, 2024. On 11th January, 2024, Regal REIT and the RHIHL Lessee entered into a supplemental deed amending the SW Lease Agreement to extend the lease term of ten years from 1st January, 2025 to 31st December, 2034 (the “SW Extended Period”), with the market rental packages for the extended lease term continuing to be determined annually by a jointly appointed independent professional property valuer (the “SW Lease Extension”). As a result, the total lease term of the SW Lease Agreement is now from 10th February, 2014 to 31st December, 2034. This supplemental lease agreement was approved by the independent Unitholders at the extraordinary general meeting held on 31st January, 2024. References can be made to the related announcements dated 11th January, 2024 and 31st January, 2024 and the related circular to Unitholders dated 11th January, 2024, as published by the REIT Manager for further details of the SW Lease Extension.

During the Interim Period, the market rental income under the SW Lease Agreement amounted to HK\$21.0 million.

### **(g) SW Lease Guarantee**

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 SW Lease Agreement by entering into the lease guarantee (as may be amended from time to time) (the “SW Lease Guarantee”). On 11th January, 2024, a supplemental deed amending the SW Lease Guarantee was entered into with the Trustee and RHIHL to make consequential amendments in light of the SW Lease Extension, so that RHIHL’s obligation to maintain a third party guarantee will cover the SW Extended Period.

### **(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 the iclub Sheung Wan Hotel for a 10-year term commencing on 10th February, 2014. On 11th January, 2024, Regal REIT and the Hotel Manager entered into a supplemental deed amending the SW Hotel Management Agreement to extend its term from the expiry date of its current term (i.e., 9th February, 2024) to 31st December, 2034 with the inclusion of a new non-fault based early termination provision exercisable only by the lessor (the “SW HMA Extension”). This supplemental hotel management agreement was approved by the independent Unitholders at the extraordinary general meeting held on 31st January, 2024. References can be made to the related announcements dated 11th January, 2024 and 31st January, 2024 and the related circular to Unitholders dated 11th January, 2024, as published by the REIT Manager for further details of the SW HMA Extension.

### **(i) 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 with lease term expiring on 31st December, 2024. On 11th January, 2024, Regal REIT and the RHIHL Lessee entered into a supplemental deed amending the FH Lease Agreement to extend the lease term of ten years from 1st January, 2025 to 31st December, 2034 (the “FH Extended Period”), with the market rental packages for the extended lease term continuing to be determined annually by a jointly appointed independent professional property valuer (the “FH Lease Extension”). As a result, the total lease term of the FH Lease Agreement is now from 28th July, 2014 to 31st December, 2034. This supplemental lease agreement was approved by the independent Unitholders at the extraordinary general meeting held on 31st January, 2024. References can be made to the related announcements dated 11th January, 2024 and 31st January, 2024 and the related circular to Unitholders dated 11th January, 2024, as published by the REIT Manager for further details of the FH Lease Extension.

During the Interim Period, the market rental income under the FH Lease Agreement amounted to HK\$20.0 million.

**(j) FH Lease Guarantee**

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 FH Lease Agreement by entering into the lease guarantee (as may be amended from time to time) (the “FH Lease Guarantee”). On 11th January, 2024, a supplemental deed amending the FH Lease Guarantee was entered into with the Trustee and RHIHL to make consequential amendments in light of the FH Lease Extension, so that RHIHL’s obligation to maintain a third party guarantee will cover the FH Extended Period.

**(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 the iclub Fortress Hill Hotel for a 10-year term commencing on 28th July, 2014. On 11th January, 2024, Regal REIT and the Hotel Manager entered into a supplemental agreement amending the FH Hotel Management Agreement to extend its term from the expiry date of its current term (i.e., 27th July, 2024) to 31st December, 2034 with the inclusion of a new non-fault based early termination provision exercisable only by the lessor (the “FH HMA Extension”). This supplemental hotel management agreement was approved by the independent Unitholders at the extraordinary general meeting held on 31st January, 2024. References can be made to the related announcements dated 11th January, 2024 and 31st January, 2024 and the related circular to Unitholders dated 11th January, 2024, as published by the REIT Manager for further details of the FH HMA Extension.

**(l) 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 HK\$18.0 million.

### **(m) 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.

### **(n) 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 the 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\$46.7 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\$1.9 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, 2024, 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, 2024 <sup>(x)</sup>
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, 2024, 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, 2024, 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, 2024.

Save as disclosed herein, there were no other persons who, as at 30th June, 2024, 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, 2024, 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, 2024 <sup>(ii)</sup>
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, 2024.
- (ii) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 30th June, 2024.

Save as disclosed herein, as at 30th June, 2024, 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. Save for the interests of the Substantial Unitholders and the Director of the REIT Manager (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, 2024

	Notes	Six months ended 30th June, 2024	Six months ended 30th June, 2023	Six months ended 30th June, 2022	Six months ended 30th June, 2021	Six months ended 30th June, 2020
Net assets attributable to Unitholders (HK\$'million)		<b>13,077.9</b>	12,886.9	12,643.1	11,612.0	12,348.4
Net asset value per Unit attributable to Unitholders (HK\$)		<b>4.015</b>	3.956	3.881	3.565	3.791
The highest traded price during the period (HK\$)	1	<b>0.72</b>	1.39	1.52	1.78	2.01
The lowest traded price during the period (HK\$)		<b>0.41</b>	1.04	1.29	1.28	1.11
The highest discount of the traded price to net asset value per Unit attributable to Unitholders		<b>89.91%</b>	73.71%	66.76%	64.10%	70.72%
Distribution yield per Unit	2	<b>N/A</b>	N/A	3.95%	2.69%	4.92%

Notes:

1. 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.
2. 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, 2024 (2023: Nil).

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June, 2024

	Notes	Six months ended 30th June, 2024 (unaudited) HK\$'000	Six months ended 30th June, 2023 (unaudited) HK\$'000
<b>Revenue</b>			
Gross rental revenue	4	335,876	290,139
Gross hotel revenue	4	14,480	13,872
		<u>350,356</u>	<u>304,011</u>
Property and hotel operating expenses		<u>(10,136)</u>	<u>(9,709)</u>
Net rental and hotel income	4	340,220	294,302
Interest income		472	1,184
Depreciation	10	(3,966)	(3,908)
Fair value changes on investment properties	11	16,548	120,029
REIT Manager fees	5	(46,693)	(44,295)
Trust, professional and other expenses	6	(5,918)	(3,641)
Finance costs - excluding distribution to Unitholders	7	<u>(326,113)</u>	<u>(260,854)</u>
<b>PROFIT/(LOSS) BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS</b>		<b>(25,450)</b>	102,817
Income tax credit	8	<u>5,646</u>	<u>2,404</u>
<b>PROFIT/(LOSS) FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS</b>		<b>(19,804)</b>	105,221
Finance costs - distribution to Unitholders		<u>—</u>	<u>(32,574)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD, AFTER DISTRIBUTION TO UNITHOLDERS</b>		<b>(19,804)</b>	<u>72,647</u>
<b>EARNINGS/(LOSS) PER UNIT ATTRIBUTABLE TO UNITHOLDERS</b>			
Basic and diluted	9	<u>HK\$(0.006)</u>	<u>HK\$0.032</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2024

	Notes	Six months ended 30th June, 2024 (unaudited) HK\$'000	Six months ended 30th June, 2023 (unaudited) HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS</b>		<b>(19,804)</b>	105,221
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Change in fair value of cash flow hedges		10,579	—
Transfer from hedging reserve to condensed consolidated statement of profit or loss		(3,949)	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		6,630	—
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on revaluation of property	10	20,612	7,691
Income tax effect	21	(3,401)	(1,269)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		17,211	6,422
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>23,841</b>	6,422
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS</b>		<b>4,037</b>	111,643

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2024

	Notes	30th June, 2024 (unaudited) HK\$'000	31st December, 2023 (restated) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	653,000	636,000
Investment properties	11	23,393,000	23,352,000
Derivative financial instruments	20	7,040	—
Finance lease receivables	12	—	998
Total non-current assets		<u>24,053,040</u>	<u>23,988,998</u>
<b>Current assets</b>			
Accounts receivable	13	334	6,511
Prepayments, deposits and other receivables		9,652	9,369
Due from related companies	26(b)	2,181	2,228
Tax recoverable		3,365	2,532
Finance lease receivables	12	4,248	6,470
Restricted cash	14	344,798	330,360
Cash and cash equivalents	15	5,366	45,877
Total current assets		<u>369,944</u>	<u>403,347</u>
<b>Total assets</b>		<u>24,422,984</u>	<u>24,392,345</u>
<b>Current liabilities</b>			
Accounts payable	16	46,976	40,242
Deposits received		48	182
Due to related companies	26(b)	223,831	183,722
Other payables and accruals		66,150	72,125
Contract liabilities	17	592	461
Interest-bearing bank borrowings	19	454,224	453,960
Lease liabilities	18	4,248	6,470
Tax payable		3,067	600
Total current liabilities		<u>799,136</u>	<u>757,762</u>
<b>Net current liabilities</b>		<u>(429,192)</u>	<u>(354,415)</u>
<b>Total assets less current liabilities</b>		<u>23,623,848</u>	<u>23,634,583</u>

	<b>Notes</b>	<b>30th June, 2024 (unaudited) HK\$'000</b>	31st December, 2023 (restated) HK\$'000
<b>Non-current liabilities, excluding net assets attributable to Unitholders</b>			
Interest-bearing bank borrowings	19	<b>9,881,551</b>	9,886,472
Lease liabilities	18	—	998
Deposits received		<b>2,867</b>	2,867
Deferred tax liabilities	21	<b>661,520</b>	670,373
Total non-current liabilities		<b>10,545,938</b>	10,560,710
<b>Total liabilities, excluding net assets attributable to Unitholders</b>			
		<b>11,345,074</b>	11,318,472
<b>Net assets attributable to Unitholders</b>			
		<b>13,077,910</b>	13,073,873
<b>Number of Units in issue</b>			
	22	<b>3,257,431,189</b>	3,257,431,189
<b>Net asset value per Unit attributable to Unitholders</b>			
	23	<b>HK\$4.015</b>	HK\$4.014

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the six months ended 30th June, 2024

	Units (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Hedging 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, 2024	8,432,356	15,876	—	220,450	4,405,191	13,073,873
Loss for the period	—	—	—	—	(19,804)	(19,804)
Other comprehensive income for the period:						
Cash flow hedges	—	—	6,630	—	—	6,630
Gain on revaluation of property, net of tax	—	—	—	17,211	—	17,211
Total comprehensive income for the period, before distribution to Unitholders	—	—	6,630	17,211	(19,804)	4,037
Transfer of depreciation on hotel property	—	—	—	(1,066)	1,066	—
Finance costs - distribution to Unitholders	—	—	—	—	—	—
Net assets as at 30th June, 2024	<u>8,432,356</u>	<u>15,876</u>	<u>6,630</u>	<u>236,595</u>	<u>4,386,453</u>	<u>13,077,910</u>

For the six months ended 30th June, 2023

	Units (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Hedging 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>—</u>	<u>195,060</u>	<u>4,243,641</u>	<u>12,886,933</u>

## DISTRIBUTION STATEMENT

For the six months ended 30th June, 2024

		<b>Six months ended 30th June, 2024 (unaudited) HK\$'000</b>	Six months ended 30th June, 2023 (unaudited) HK\$'000
<b>Profit/(Loss) for the period, before distribution to Unitholders</b>		<b>(19,804)</b>	105,221
Adjustments:			
Amounts set aside for the furniture, fixtures and equipment reserve	(b)	<b>(13,073)</b>	(12,192)
Amortisation of debt establishment costs		<b>13,943</b>	13,106
Fair value changes on investment properties		<b>(16,548)</b>	(120,029)
Depreciation		<b>3,966</b>	3,908
Deferred tax credit		<b>(12,254)</b>	(9,452)
<b>Adjusted loss for the period</b>	(a)	<b>(43,770)</b>	(19,438)
<b>Distribution per Unit</b>	(a)	<b>—</b>	—

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 distribution, if any, 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, 2024 (six months ended 30th June, 2023: Nil).

- (b) Amounts set aside by Regal REIT for the furniture, fixtures and equipment reserve (the "FF&E Reserve") with respect to the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel, the Regal Riverside Hotel (collectively, the "Initial Hotels" and each referred to as the "Initial Hotel"), the iclub Wan Chai Hotel, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel aggregated to HK\$13.1 million (six months ended 30th June, 2023: HK\$12.2 million).



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2024

	<b>Six months ended 30th June, 2024 (unaudited) HK\$'000</b>	Six months ended 30th June, 2023 (unaudited) HK\$'000
<b>Net cash flows from operating activities</b>	<u>17,321</u>	<u>80,682</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(354)	(217)
Additions to investment properties	(24,452)	(11,971)
Principal portion of finance lease received	3,220	3,160
Decrease in restricted cash	343	1,262
<b>Net cash flows used in investing activities</b>	<u>(21,243)</u>	<u>(7,766)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bank borrowings, net of debt establishment costs	45,800	267,500
Repayment of bank borrowings	(64,400)	(236,000)
Principal portion of lease payments	(3,220)	(3,160)
Distribution paid	—	(32,574)
Increase in restricted cash	(14,769)	(195,585)
<b>Net cash flows used in financing activities</b>	<u>(36,589)</u>	<u>(199,819)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(40,511)</b>	<b>(126,903)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<u>45,877</u>	<u>141,336</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>5,366</u>	<u>14,433</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<u>5,366</u>	<u>14,433</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2024

### 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 second amending and restating deed dated 31st January, 2024) 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 Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31st December, 2023. 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, investment properties and derivative financial instruments 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, 2024, the Group's current liabilities exceeded its current assets by HK\$429,192,000. The net current liabilities position was mainly due to the term loans which mature within twelve months, amounted to HK\$454,224,000 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 facility 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, 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1st January, 2023 and 2024 upon initial application of the amendments. As at 1st January, 2023 and 2024, the Group had an interest-bearing bank borrowing with carrying amount of HK\$301.0 million and HK\$465.4 million, respectively, which was repayable within 12 months. The borrowing was drawn down from 5-year banking facility expiring on 9th August, 2026 and the Group has the right to roll over the loan for another year subject to the compliance with certain covenant tests. Prior to the initial application of the amendments, the interest-bearing bank borrowing was classified as a current liability as the Group did not have an unconditional right to defer the settlement for at least 12 months after the reporting period. Upon initial application of the amendments, the loan was reclassified as a non-current liability since the Group has the right to roll over the interest-bearing bank borrowing for at least twelve months after 1st January, 2023 and 2024 under its existing loan facility. The quantitative impact on the condensed consolidated statement of financial position is summarised below.

	<b>Increase/(decrease)</b>		
	<b>As at</b>	As at	As at
	<b>30th June,</b>	31st December,	1st January,
	<b>2024</b>	2023	2023
	<b>HK\$'000</b>	HK\$'000	HK\$'000
<b>Current liabilities</b>			
Interest-bearing bank borrowings	<b>(496,800)</b>	(465,400)	(301,000)
<b>Net current liabilities</b>	<b>(496,800)</b>	(465,400)	(301,000)
	-----	-----	-----
<b>Total assets less current liabilities</b>	<b>496,800</b>	465,400	301,000
	-----	-----	-----
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings	<b>496,800</b>	465,400	301,000

The adoption of the amendments did not have any impact on the basic and diluted earnings/(loss) per unit attributable to unitholders, profit or loss, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30th June, 2024 and 2023.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the condensed consolidated financial statements.

### 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, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the 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, 2024 are as follows:

	<b>Hotel Properties (unaudited) HK\$'000</b>	<b>Mixed Use Property (unaudited) HK\$'000</b>	<b>Total (unaudited) HK\$'000</b>
<b>Segment revenue</b>			
Gross rental revenue	332,329	3,547	335,876
Gross hotel revenue	—	14,480	14,480
	<u>332,329</u>	<u>18,027</u>	<u>350,356</u>
<b>Segment results</b>	<u>330,710</u>	<u>9,510</u>	340,220
Fair value changes on investment properties	16,548	—	16,548
Depreciation	—	(3,966)	(3,966)
Interest income			472
REIT Manager fees			(46,693)
Trust, professional and other expenses			(5,918)
Finance costs - excluding distribution to Unitholders			<u>(326,113)</u>
Loss before tax and distribution to Unitholders			<u>(25,450)</u>

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

	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>Segment revenue</b>			
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>
<b>Segment results</b>			
	<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>

### 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, 2024, 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\$23,196,000,000 (31st December, 2023: HK\$23,155,000,000) and HK\$850,000,000 (31st December, 2023: HK\$833,000,000), 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, 2024		
	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Capital expenditures	<u>24,452</u>	<u>354</u>	<u>24,806</u>

  

	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>

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, 2024, revenue of HK\$332,329,000 (six months ended 30th June, 2023: HK\$287,328,000) 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, 2024 (unaudited) HK\$'000	Six months ended 30th June, 2023 (unaudited) HK\$'000
<b>Gross rental revenue</b>			
Rental income			
Initial Hotels	(a)	272,000	240,000
iclub Wan Chai Hotel - Non-hotel portions		3,547	2,811
iclub Sheung Wan Hotel	(b)	21,000	16,000
iclub Fortress Hill Hotel	(c)	20,000	15,000
iclub To Kwa Wan Hotel	(d)	18,000	15,000
Other income		1,329	1,328
		<u>335,876</u>	<u>290,139</u>
Property operating expenses		<u>(1,938)</u>	<u>(1,910)</u>
<b>Net rental income</b>		<u>333,938</u>	<u>288,229</u>
<b>Gross hotel revenue</b>			
Hotel operating expenses		<u>14,480</u>	<u>13,872</u>
		<u>(8,198)</u>	<u>(7,799)</u>
<b>Net hotel income</b>		<u>6,282</u>	<u>6,073</u>
<b>Net rental and hotel income</b>		<u>340,220</u>	<u>294,302</u>
<b>Revenue from contracts with customers</b>			
Gross hotel revenue	(e)	<u>14,480</u>	<u>13,872</u>
<b>Revenue from other sources</b>			
Gross rental income		<u>335,876</u>	<u>290,139</u>



Notes:

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

	<b>Six months ended 30th June, 2024 (unaudited) HK\$'000</b>	Six months ended 30th June, 2023 (unaudited) HK\$'000
Base Rent	272,000	240,000
Variable Rent	—	—
	<u>272,000</u>	<u>240,000</u>

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

	<b>Six months ended 30th June, 2024 (unaudited) HK\$'000</b>	Six months ended 30th June, 2023 (unaudited) HK\$'000
Base Rent	21,000	16,000
Variable Rent	—	—
	<u>21,000</u>	<u>16,000</u>

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

	<b>Six months ended 30th June, 2024 (unaudited) HK\$'000</b>	Six months ended 30th June, 2023 (unaudited) HK\$'000
Base Rent	20,000	15,000
Variable Rent	—	—
	<u>20,000</u>	<u>15,000</u>

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

	<b>Six months ended 30th June, 2024 (unaudited) HK\$'000</b>	Six months ended 30th June, 2023 (unaudited) HK\$'000
Base Rent	<b>18,000</b>	15,000
Variable Rent	—	—
	<b>18,000</b>	15,000

(e) Gross hotel revenue is recognised over time.

## 5. REIT MANAGER FEES

	<b>Six months ended 30th June, 2024 (unaudited) HK\$'000</b>	Six months ended 30th June, 2023 (unaudited) HK\$'000
Base Fees	<b>36,477</b>	35,458
Variable Fees	<b>10,216</b>	8,837
	<b>46,693</b>	44,295

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 2024 and 2023, 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 30th November, 2023.

## 6. TRUST, PROFESSIONAL AND OTHER EXPENSES

	<b>Six months ended 30th June, 2024 (unaudited) HK\$'000</b>	Six months ended 30th June, 2023 (unaudited) HK\$'000
Auditor's remuneration	818	818
Legal and other professional fees	2,431	468
Trustee fees	1,875	1,817
Other expenses	794	538
	<b>5,918</b>	<b>3,641</b>

## 7. FINANCE COSTS – EXCLUDING DISTRIBUTION TO UNITHOLDERS

	<b>Six months ended 30th June, 2024 (unaudited) HK\$'000</b>	Six months ended 30th June, 2023 (unaudited) HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on interest-bearing bank borrowings	320,908	247,138
Amortisation of debt establishment costs	13,943	13,106
Interest income from restricted cash	(4,924)	—
Interest expense on lease liabilities	57	117
	<b>329,984</b>	<b>260,361</b>
Fair value changes on derivative financial instruments		
– cash flow hedges (transfer from hedging reserve)	(3,949)	—
Others, net of compensation income	78	493
	<b>326,113</b>	<b>260,854</b>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June, 2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	<b>Six months ended 30th June, 2024 (unaudited) HK\$'000</b>	Six months ended 30th June, 2023 (unaudited) HK\$'000
Charge for the period	<b>6,615</b>	7,058
Overprovision in prior years	<b>(7)</b>	(10)
Deferred (note 21)	<b>(12,254)</b>	(9,452)
Total tax credit for the period	<b><u>(5,646)</u></b>	<b><u>(2,404)</u></b>

## 9. EARNINGS/(LOSS) PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The calculation of the basic loss per Unit attributable to Unitholders is based on the loss for the period before distribution to Unitholders of HK\$19,804,000 (six months ended 30th June, 2023: profit of HK\$105,221,000) and 3,257,431,189 Units in issue (six months ended 30th June, 2023: 3,257,431,189 Units). The basic loss per Unit attributable to Unitholders for the period amounted to HK\$0.006 (six months ended 30th June, 2023: basic earnings per Unit of HK\$0.032).

The diluted loss per Unit attributable to Unitholders is the same as the basic loss per Unit attributable to Unitholders as there were no dilutive instruments in issue during the period (six months ended 30th June, 2023: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Authorised investments</b>
	<b>Hotel properties HK\$'000</b>
At 1st January, 2023	604,000
Additions	388
Surplus on revaluation	39,338
Depreciation provided during the year	(7,726)
	<hr/>
At 31st December, 2023 (audited) and 1st January, 2024	<b>636,000</b>
Additions	<b>354</b>
Surplus on revaluation	<b>20,612</b>
Depreciation provided during the period	<b>(3,966)</b>
	<hr/>
At 30th June, 2024 (unaudited)	<b>653,000</b>
	<hr/> <hr/>

The Group's property, plant and equipment represents the value of land and building together with furniture, fixtures and equipment of the 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\$653,000,000 as at 30th June, 2024 (31st December, 2023: HK\$636,000,000). A revaluation surplus of HK\$20,612,000 (31st December, 2023: HK\$39,338,000) resulting from the valuation as at 30th June, 2024 has been credited to other comprehensive income.

The property, plant and equipment is categorised as Level 3 in the fair value hierarchy (note 27).

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\$369,655,000 (31st December, 2023: HK\$371,990,000) 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, 2023	22,753,000	196,000	22,949,000
Fair value changes	365,920	1,000	366,920
Capital expenditures for the year	36,080	—	36,080
At 31st December, 2023 (audited) and 1st January, 2024	<b>23,155,000</b>	<b>197,000</b>	<b>23,352,000</b>
Fair value changes	<b>16,548</b>	—	<b>16,548</b>
Capital expenditures for the period	<b>24,452</b>	—	<b>24,452</b>
At 30th June, 2024 (unaudited)	<b>23,196,000</b>	<b>197,000</b>	<b>23,393,000</b>

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\$23,393,000,000 as at 30th June, 2024 (31st December, 2023: HK\$23,352,000,000). 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 (note 27).

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, 2024 (unaudited) HK\$'000	31st December, 2023 (audited) HK\$'000	30th June, 2024 (unaudited) HK\$'000	31st December, 2023 (audited) HK\$'000
Amounts receivable:				
Not later than one year	4,277	6,555	4,248	6,470
Later than one year and not later than five years	—	999	—	998
	<u>4,277</u>	<u>7,554</u>	<u>4,248</u>	<u>7,468</u>
Less: Unearned finance income	(29)	(86)		
	<u>4,248</u>	<u>7,468</u>		
Portion classified as current assets	<u>(4,248)</u>	<u>(6,470)</u>		
Non-current portion	<u>—</u>	<u>998</u>		

The effective interest rate of the finance leases of the premises as at 30th June, 2024 is 1.86% (31st December, 2023: 1.86%) per annum.

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

## 13. ACCOUNTS RECEIVABLE

	30th June, 2024 (unaudited) HK\$'000	31st December, 2023 (audited) HK\$'000
Variable Rent receivable	—	5,986
Other accounts receivable	<u>334</u>	<u>525</u>
	<u>334</u>	<u>6,511</u>

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 receivable represents amounts due from a related company which are interest free and repayable within one year 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.

#### 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

	<b>30th June, 2024 (unaudited) HK\$'000</b>	31st December, 2023 (audited) HK\$'000
Amounts due to related companies	<b>46,196</b>	39,524
Other accounts payable	<b>780</b>	718
	<b><u>46,976</u></b>	<u>40,242</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:

	<b>30th June, 2024 (unaudited) HK\$'000</b>	31st December, 2023 (audited) HK\$'000
Advances from customers	<b><u>592</u></b>	<u>461</u>

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:

	<b>30th June, 2024 (unaudited) HK\$'000</b>	31st December, 2023 (audited) HK\$'000
Carrying amount at 1st January	7,468	13,819
Accretion of interest recognised during the period/year	57	204
Payments	<b>(3,277)</b>	(6,555)
	<u>4,248</u>	<u>7,468</u>
Carrying amount at 30th June/31st December	<b>4,248</b>	7,468
Analysed into:		
Current portion	4,248	6,470
Non-current portion	—	998
	<u>4,248</u>	<u>7,468</u>

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

	<b>30th June, 2024 (unaudited) HK\$'000</b>	30th June, 2023 (unaudited) HK\$'000
Interest on lease liabilities	57	117
Expenses relating to short-term leases (included in property and hotel operating expenses)	<b>180</b>	180
	<u>237</u>	<u>297</u>
Total amount recognised in profit or loss	<b>237</b>	297

(c) The total cash outflow for leases is HK\$3,457,000 (six months ended 30th June, 2023: HK\$3,457,000).

### 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 RHIHL Lessee and 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:

	<b>30th June, 2024 (unaudited) HK\$'000</b>	31st December, 2023 (audited) HK\$'000
Within one year	<b>340,322</b>	674,106
After one year but within two years	<b>5,262</b>	6,217
After two years but within three years	<b>—</b>	2,577
	<b><u>345,584</u></b>	<u>682,900</u>

## 19. INTEREST-BEARING BANK BORROWINGS

	<b>30th June, 2024 (unaudited) HK\$'000</b>	31st December, 2023 (restated) HK\$'000
Interest-bearing bank borrowings	<b>10,406,300</b>	10,424,900
Debt establishment costs	<b>(70,525)</b>	(84,468)
	<b><u>10,335,775</u></b>	<u>10,340,432</u>
Portion classified as current liabilities	<b>(454,224)</b>	(453,960)
Non-current portion	<b><u>9,881,551</u></b>	<u>9,886,472</u>
Principal amounts repayable based on original maturity terms:		
Within one year	<b>951,800</b>	920,400
In the second year	<b>700,000</b>	700,000
In the third to fifth years, inclusive	<b>8,754,500</b>	8,804,500
	<b><u>10,406,300</u></b>	<u>10,424,900</u>

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, 2024, the 2021 IH Facilities had an outstanding amount of HK\$4,996.8 million, representing the full amount of the term loan facility and an amount of HK\$496.8 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, 2024, the outstanding amount of the 2022 RKH Facility was HK\$2,850.0 million, after instalment repayment of HK\$50.0 million each in June 2023 and June 2024, respectively, representing the full amount of the term loan facility. The Group also entered into interest rate swap arrangements to hedge against the interest rate exposure of the 2022 RKH Facility for a notional amount of HK\$600.0 million, details of which are set out in note 20.

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, 2024, the outstanding facility amount of the 2019 WC Facility was HK\$405.0 million.

On 17th October, 2023, Regal REIT arranged, through a wholly-owned subsidiary, a new bilateral term loan facility of HK\$749.5 million and secured by the iclub Sheung Wan Hotel (the “2023 SW Facility”) to replace the then term and revolving loan facilities of HK\$790.0 million. The 2023 SW Facility bears HIBOR-based interest with a four-year term to October 2027. As at 30th June, 2024, the outstanding amount of the 2023 SW Facility was HK\$749.5 million, representing the full amount of the term loan. The Group also entered into interest rate swap arrangements to hedge against the interest rate exposure of the 2023 SW Facility for a notional amount of HK\$500.0 million, details of which are set out in note 20.

On 27th November, 2023, Regal REIT arranged, through a wholly-owned subsidiary, another new bilateral term loan facility of HK\$755.0 million and secured by the iclub Fortress Hill Hotel (the “2023 FH Facility”) to replace the then term and revolving loan facilities of HK\$825.0 million. The 2023 FH Facility bears HIBOR-based interest and has a term of five years to November 2028. As at 30th June, 2024, the outstanding amount of the 2023 FH Facility was HK\$755.0 million, representing the full amount of the term loan.

On 15th November, 2023, Regal REIT arranged, through a wholly-owned subsidiary, a new term loan facility of HK\$650.0 million, secured by the iclub To Kwa Wan Hotel (the “2023 TKW Facility”), with a term of two years to November 2025 and bearing HIBOR-based interest, to replace the then term loan facility of HK\$621.0 million. As at 30th June, 2024, the outstanding amount of the 2023 TKW Facility was HK\$650.0 million, representing the full amount of the term loan.

As at 30th June, 2024, 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, 2023: 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 2023 SW Facility, the 2023 FH Facility and the 2023 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. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>30th June, 2024 (unaudited) HK\$'000</b>	31st December, 2023 (audited) HK\$'000
Interest rate swaps – cash flow hedges	<b><u>7,040</u></b>	<u>—</u>

The Group uses interest rate swaps to minimise its exposure to movements in interest rates in relation to certain portion of its floating rate term loans. As at 30th June, 2024, the interest rate swaps had an aggregate notional amount of HK\$1,100 million (31st December, 2023: Nil) (note 19). The interest rate swaps will mature on 9th February, 2026 and 15th October, 2027, respectively, and the fixed swap interest rates range from 3.27% per annum to 3.66% per annum as at 30th June, 2024.

## 21. 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, 2023	(37,441)	(670,362)	11,492	(696,311)
Deferred tax charged to other comprehensive income during the year	(6,491)	—	—	(6,491)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	370	(16,252)	48,311	32,429
Gross deferred tax assets/(liabilities) at 31st December, 2023 (audited)	<u>(43,562)</u>	<u>(686,614)</u>	<u>59,803</u>	<u>(670,373)</u>
Gross deferred tax assets/(liabilities) at 1st January, 2024	<b>(43,562)</b>	<b>(686,614)</b>	<b>59,803</b>	<b>(670,373)</b>
Deferred tax charged to other comprehensive income during the period	<b>(3,401)</b>	—	—	<b>(3,401)</b>
Deferred tax credited/(charged) to the condensed consolidated statement of profit or loss during the period (note 8)	<u>211</u>	<u>(8,608)</u>	<u>20,651</u>	<u>12,254</u>
Gross deferred tax assets/(liabilities) at 30th June, 2024 (unaudited)	<u><b>(46,752)</b></u>	<u><b>(695,222)</b></u>	<u><b>80,454</b></u>	<u><b>661,520</b></u>

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

## 22. NUMBER OF UNITS IN ISSUE

	Number of Units	
	30th June, 2024 (unaudited)	31st December, 2023 (audited)
At beginning and end of the period/year	<u><b>3,257,431,189</b></u>	<u>3,257,431,189</u>

## 23. 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, 2024 of HK\$13,077,910,000 (31st December, 2023: HK\$13,073,873,000) by the number of Units in issue of 3,257,431,189 (31st December, 2023: 3,257,431,189) as at that date.

## 24. 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, 2023	13,819	10,181,220
Changes from financing cash flows	(6,351)	132,817
Non-cash change:		
Amortisation of debt establishment costs	—	26,395
	<u>7,468</u>	<u>10,340,432</u>
At 31st December, 2023 (audited) and at 1st January, 2024	<b>7,468</b>	<b>10,340,432</b>
Changes from financing cash flows	<b>(3,220)</b>	<b>(18,600)</b>
Non-cash change:		
Amortisation of debt establishment costs	—	13,943
	<u>4,248</u>	<u>10,335,775</u>
At 30th June, 2024 (unaudited)	<b>4,248</b>	<b>10,335,775</b>

## 25. COMMITMENTS

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

	<b>30th June, 2024 (unaudited) HK\$'000</b>	31st December, 2023 (audited) HK\$'000
Authorised, but not contracted for	<b>25,659</b>	29,394

## 26. 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:

<b>Connected/related parties</b>	<b>Relationship with the Group</b>
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, 2024 (unaudited) HK\$'000	Six months ended 30th June, 2023 (unaudited) HK\$'000
Contractual rental income received/receivable from the RHIHL Group	(i)	<b>335,606</b>	290,606
Rental income received/receivable from the RHIHL Group	(ii)	—	866
Hotel management fees charged by the RHIHL Group	(iii)	<b>(620)</b>	(597)
Marketing fees charged by the RHIHL Group	(iv)	<b>(145)</b>	(139)
Building management fees charged by the PHL Group	(v)	<b>(316)</b>	(316)
REIT Manager fees	(vi)	<b>(46,693)</b>	(44,295)
Trustee fees	(vii)	<b>(1,875)</b>	(1,817)

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.

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:

	<b>Notes</b>	<b>30th June, 2024 (unaudited) HK\$'000</b>	31st December, 2023 (audited) HK\$'000
Net amounts due from/(to) the RHIHL Group:			
Variable Rent receivable	(i)	—	5,986
Accounts payable to related companies	(ii)	<b>(46,196)</b>	(39,524)
Amounts due from related companies	(ii)	<b>2,181</b>	2,228
Amounts due to related companies	(ii)	<b>(223,831)</b>	(183,722)
Net amounts due from the PHL Group:			
Deposits paid	(ii)	<b>1,212</b>	1,212
Net amounts due to:			
The Trustee	(iii)	<b>(942)</b>	(1,019)
Restricted and non-restricted bank balances with the Deutsche Bank Group			
	(iv)	<b>153</b>	<b>154</b>

Notes:

- (i) Details of the balances are set out in note 13 to the condensed consolidated statement of financial position.
  - (ii) The amounts are unsecured, interest-free and repayable on demand/within one year.
  - (iii) The amount is unsecured and repayable in accordance with the terms of the Trust Deed.
  - (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 2024, the RHIHL Group provided third party guarantee or other equivalent form of security as security deposit for an amount of HK\$136.0 million (2023: HK\$120.0 million), which is equivalent to three-month Base Rent for the year 2024, 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 and extended its term to 31st December, 2034 (amended by the supplemental deeds dated 11th January, 2024).

- (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 and extended its term to 31st December, 2034 (amended by the supplemental deeds dated 11th January, 2024).
- (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.

## 27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities represent the amounts for which the instruments that could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Derivative financial instruments, including interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values.

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.

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments and non-financial assets:

*Assets measured at fair value:*

**As at 30th June, 2024**

	Fair value measurement using			Total (unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (unaudited) HK\$'000	Significant observable inputs (Level 2) (unaudited) HK\$'000	Significant unobservable inputs (Level 3) (unaudited) HK\$'000	
Property, plant and equipment	—	—	653,000	653,000
Investment properties	—	—	23,393,000	23,393,000
Derivative financial instruments	—	7,040	—	7,040
	—	7,040	24,046,000	24,053,040

As at 31st December, 2023

	Fair value measurement using			Total (audited) HK\$'000
	Quoted prices in active markets (Level 1) (audited) HK\$'000	Significant observable inputs (Level 2) (audited) HK\$'000	Significant unobservable inputs (Level 3) (audited) HK\$'000	
Property, plant and equipment	—	—	636,000	636,000
Investment properties	—	—	23,352,000	23,352,000
Derivative financial instruments	—	—	—	—
	—	—	23,988,000	23,988,000

The Group did not have any financial liabilities measured at fair value as at 30th June, 2024 (31st December, 2023: Nil).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (31st December, 2023: Nil).

## 28. EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting period, on 18th July, 2024, the Group concluded a new 3.4-year term loan facility of HK\$416.5 million with Chong Hing Bank Limited and is secured by the iclub Wan Chai Hotel. The new term loan was wholly used to repay the 2019 WC Facility that matured in July 2024.

# 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 33 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, 2024, 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 ("HKICPA"). 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 HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

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

### **Ernst & Young**

*Certified Public Accountants*

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

28th August, 2024

## SUMMARY OF PROPERTY PORTFOLIO

As at 30th June, 2024

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, 2024

	<b>Description</b>	<b>Use</b>	<b>Lease</b>	<b>Gross Floor Area</b> (sq.m.)	<b>Approx. Covered Floor Area</b> (sq.m.)	<b>Percentage interest attributable to Regal REIT</b>
(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





[www.RegalREIT.com](http://www.RegalREIT.com)