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REGAL REAL ESTATE INVESTMENT TRUST

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

(Stock Code: 1881)

Managed by



ANNOUNCEMENT OF 2023 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

| | Six months ended 30th June, 2023 (unaudited) HK\$ million | Six months ended 30th June, 2022 (unaudited) HK\$ million | % Change |
|---|--|--|----------|
| Gross rental revenue | 290.1 | 339.8 | -14.6% |
| Gross hotel revenue | 13.9 | 7.8 | +78.2% |
| Net rental and hotel income | 294.3 | 340.4 | -13.5% |
| Profit for the period, before distribution to Unitholders* | 105.2 | 613.1 | -82.8% |
| Core operating profit/(loss), excluding fair value changes on investment properties | (14.8) | 168.8 | N/A |
| Distributable income/(adjusted loss) for the period attributable to Unitholders | <u>(19.4)</u> | <u>183.1</u> | N/A |
| Distributable income per Unit | <u>HK\$0.0</u> | <u>HK\$0.056</u> | N/A |
| Distribution per Unit | <u>–</u> | <u>HK\$0.051</u> | N/A |
| Net Asset Value per Unit attributable to Unitholders | <u>As at 30th June, 2023 (unaudited) HK\$3.956</u> | <u>As at 31st Dec., 2022 (audited) HK\$3.932</u> | 0.61% |

* Includes revaluation gain of HK\$120.0 million and HK\$444.3 million (after taking into account capital expenditures incurred) as a result of fair value changes on investment properties based on independent valuer appraisals as at 30th June, 2023 and 2022, respectively.

- Net rental and hotel income for the six months ended 30th June, 2023 amounted to HK\$294.3 million, 13.5% below that in the same period in 2022.
- Profit for the period, before distribution to Unitholders, amounted to HK\$105.2 million, as compared to HK\$613.1 million for the corresponding period in 2022.
- The profit recorded for the period was principally attributable to the gain of HK\$120.0 million in the fair value of Regal REIT's investment property portfolio, based on the market valuations appraised by the principal valuer as of 30th June, 2023, as compared to the last appraised value as of 31st December, 2022. For the corresponding period last year, a fair value gain of HK\$444.3 million was recorded.
- Core operating loss before distribution to the Unitholders for the interim period amounted to HK\$14.8 million, as compared to a profit of HK\$168.8 million for the same period in 2022, which was mainly due to the substantial increase in the financial expenses incurred, which amounted to HK\$260.9 million (2022 – HK\$85.3 million), as the Hong Kong Interbank Offered Rates, on which the borrowing costs of Regal REIT's bank loans are based, have risen rapidly since the second quarter of this year.
- There is an adjusted loss of HK\$19.4 million for the period, after taking into account the various non-cash adjustments, as compared to a total distributable income of HK\$183.1 million attained for the corresponding period in 2022.
- The five Regal Hotels which are leased to a wholly-owned subsidiary of Regal Hotels International Holdings Limited, the immediate listed holding company of Regal REIT, have all managed to achieve steadily improving performance after the full reopening of the borders with Mainland China and the lifting of all anti-pandemic measures early this year.
- Apart from the five Regal Hotels, Regal REIT also owns four other hotel properties in Hong Kong, all under the “iclub by Regal” brand name. The iclub Wan Chai Hotel, the first iclub hotel in Hong Kong which has been self-operated by Regal REIT since 2011, has achieved during the interim period substantial increase year-on-year in its net property income.

- **The other three iclub hotels, also leased to the same Regal lessee, have likewise operated satisfactorily during the interim period.**
- **It is expected that the interest rates in Hong Kong might continue to stay at a relatively high level in the near term, which could have an adverse impact on the distributable income of Regal REIT.**
- **The total number of incoming visitors to Hong Kong is projected to increase from 12.9 million in the first six months to 30 million for the whole year of 2023. Though there is still a long way to catch up with the aggregate visitor arrivals of over 65 million recorded in year 2018, it is in any event a positive drive for the hotel industry in Hong Kong.**
- **The REIT Manager will continue to closely follow up with the hotel manager in developing strategies to cope with the market challenges and it is expected that the property portfolio of Regal REIT will continue to yield steadily increasing rental revenues.**

FINANCIAL RESULTS

For the six months ended 30th June, 2023, Regal Real Estate Investment Trust (“**Regal REIT**”) recorded an unaudited consolidated profit before distribution to unitholders (the “**Unitholders**”) of HK\$105.2 million, as compared to a profit of HK\$613.1 million for the corresponding period in 2022. The profit recorded for the period from 1st January, 2023 to 30th June, 2023 (the “**Interim Period**”) was principally attributable to the gain of HK\$120.0 million in the fair value of Regal REIT’s investment property portfolio, based on the market valuations appraised by the principal valuer as of 30th June, 2023, as compared to the last appraised value as of 31st December, 2022. For the corresponding period last year, a fair value gain of HK\$444.3 million was recorded. If these fair value changes are excluded, there would be a core operating loss before distribution to Unitholders for the Interim Period of HK\$14.8 million, as compared to a profit of HK\$168.8 million for the same period in 2022. The core operating loss for the Interim Period was mainly due to the substantial increase in the financial expenses incurred, which amounted to HK\$260.9 million (2022 – HK\$85.3 million), as the Hong Kong Interbank Offered Rates (“**HIBOR**”), on which the borrowing costs of Regal REIT’s bank loans are based, have risen rapidly since the second quarter of this year.

DISTRIBUTABLE INCOME AND INTERIM DISTRIBUTION FOR 2023

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

HOTEL MARKET AND BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

BUSINESS OUTLOOK

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

During the Interim Period, Regal REIT received aggregate base rent of HK\$240.0 million for the leasing of the Initial Hotels. For the period under review, as the aggregate NPI of HK\$136.2 million from hotel operations of the Initial Hotels was below the pro-rated base rent of HK\$240.0 million, no variable rent was earned.

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

During the Interim Period, Regal REIT received base rent of HK\$16.0 million for the leasing of the iclub Sheung Wan Hotel. As the NPI from hotel operations of this hotel was HK\$13.7 million, no variable rent was earned.

During the Interim Period, Regal REIT received base rent of HK\$15.0 million for the leasing of the iclub Fortress Hill Hotel. As the NPI from hotel operations of this hotel was HK\$11.9 million, no variable rent was earned.

During the Interim Period, Regal REIT received base rent of HK\$15.0 million for the leasing of iclub To Kwa Wan Hotel. As the NPI from hotel operations of this hotel was HK\$10.2 million, no variable rent was earned.

Financial Review

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

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 HIBOR. As at 30th June, 2023, the 2021 IH Facilities had an outstanding amount of HK\$4,882.5 million, representing the full amount of the term loan facility and an amount of HK\$382.5 million under the revolving loan facility.

On 8th March, 2018, Regal REIT arranged, through a wholly-owned subsidiary, a bilateral term loan facility of HK\$3,000.0 million (the “**2018 RKH Facility**”), secured by a mortgage over the Regal Kowloon Hotel. This facility bore HIBOR-based interest and had a term of five years to March 2023. In late June 2022, Regal REIT concluded a 5-year term loan facility of HK\$2,950.0 million (the “**2022 RKH Facility**”) with a new lender, similarly secured by the Regal Kowloon Hotel, which was used to refinance the 2018 RKH Facility. The 2022 RKH Facility carries interest based on HIBOR and has loan maturity in June 2027. As at 30th June, 2023, the outstanding amount of the 2022 RKH Facility was HK\$2,900.0 million, after an instalment repayment of HK\$50.0 million in June 2023, representing the full amount of the term loan facility.

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

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

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

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

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

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

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

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

Net Assets Attributable to Unitholders

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

Valuation of the Property Portfolio

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

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June, 2023

| | Notes | Six months ended 30th June, 2023 (unaudited) HK\$'000 | Six months ended 30th June, 2022 (unaudited) HK\$'000 |
|--|-------|--|--|
| Revenue | | | |
| Gross rental revenue | 5 | 290,139 | 339,818 |
| Gross hotel revenue | 5 | 13,872 | 7,797 |
| | | 304,011 | 347,615 |
| Property and hotel operating expenses | | (9,709) | (7,199) |
| Net rental and hotel income | 5 | 294,302 | 340,416 |
| Interest income | | 1,184 | 186 |
| Depreciation | 10 | (3,908) | (3,998) |
| Fair value changes on investment properties | 11 | 120,029 | 444,256 |
| REIT Manager fees | 6 | (44,295) | (44,346) |
| Trust, professional and other expenses | | (3,641) | (3,908) |
| Finance costs – excluding distribution to Unitholders | 7 | (260,854) | (85,346) |
| Profit before tax and distribution to Unitholders | | 102,817 | 647,260 |
| Income tax credit/(expense) | 8 | 2,404 | (34,184) |
| Profit for the period, before distribution to Unitholders | | 105,221 | 613,076 |
| Finance costs – distribution to Unitholders | | (32,574) | (133,555) |
| Profit for the period, after distribution to Unitholders | | 72,647 | 479,521 |
| Earnings per Unit attributable to Unitholders | | | |
| Basic and diluted | 9 | HK\$0.032 | HK\$0.188 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2023

| | | Six months ended 30th June, 2023 (unaudited) HK\$'000 | Six months ended 30th June, 2022 (unaudited) HK\$'000 |
|--|----|--|--|
| Profit for the period, before distribution to Unitholders | | 105,221 | 613,076 |
| Other comprehensive income | | | |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | | |
| Gain on revaluation of property | 10 | 7,691 | 19,925 |
| Income tax effect | 16 | (1,269) | (3,288) |
| Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods | | 6,422 | 16,637 |
| Other comprehensive income for the period, net of tax | | 6,422 | 16,637 |
| Total comprehensive income for the period, before distribution to Unitholders | | 111,643 | 629,713 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2023

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)*As at 30th June, 2023*

| | Notes | 30th June, 2023 (unaudited) HK\$'000 | 31st December, 2022 (audited) HK\$'000 |
|--|-------|--|--|
| Non-current liabilities, excluding net assets attributable to Unitholders | | | |
| Interest-bearing bank borrowings | | 7,680,351 | 4,454,189 |
| Lease liabilities | | 4,248 | 7,468 |
| Deposits received | | 433 | – |
| Deferred tax liabilities | 16 | 688,128 | 696,311 |
| Total non-current liabilities | | 8,373,160 | 5,157,968 |
| Total liabilities, excluding net assets attributable to Unitholders | | 11,161,456 | 11,040,647 |
| Net assets attributable to Unitholders | | 12,886,933 | 12,807,864 |
| Number of Units in issue | 14 | 3,257,431,189 | 3,257,431,189 |
| Net asset value per Unit attributable to Unitholders | 15 | HK\$3.956 | HK\$3.932 |

DISTRIBUTION STATEMENT

For the six months ended 30th June, 2023

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

Notes:

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

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

- (b) Amounts set aside by Regal REIT for the furniture, fixtures and equipment reserve with respect to the Initial Hotels, iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel aggregated to HK\$12.2 million (six months ended 30th June, 2022: HK\$13.6 million).

Notes:

1. GENERAL

Regal REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its Units were listed on The Stock Exchange of Hong Kong Limited on 30th March, 2007. Regal REIT is governed by a trust deed dated 11th December, 2006 (as amended and restated by the first amending and restating deed dated 23rd March, 2021) constituting Regal REIT (the “**Trust Deed**”) and the REIT Code.

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

2. BASIS OF PREPARATION

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

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

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

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

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

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

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1st January, 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1st January, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Segment assets and liabilities

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

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

Other segment information

Six months ended 30th June, 2023

| | Hotel Properties (unaudited) HK\$'000 | Mixed Use Property (unaudited) HK\$'000 | Total (unaudited) HK\$'000 |
|----------------------|--|--|---|
| Capital expenditures | <u>11,971</u> | <u>217</u> | <u>12,188</u> |

Six months ended 30th June, 2022

| | Hotel Properties (unaudited) HK\$'000 | Mixed Use Property (unaudited) HK\$'000 | Total (unaudited) HK\$'000 |
|----------------------|--|--|---|
| Capital expenditures | <u>5,744</u> | <u>73</u> | <u>5,817</u> |

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

Information about a major customer

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

Geographical information

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

5. NET RENTAL AND HOTEL INCOME

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

Notes:

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

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

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

| | Six months ended 30th June, 2023 (unaudited) HK\$'000 | Six months ended 30th June, 2022 (unaudited) HK\$'000 |
|---------------|--|--|
| Base rent | 16,000 | 13,500 |
| Variable rent | — | — |
| | 16,000 | 13,500 |

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

| | Six months ended 30th June, 2023 (unaudited) HK\$'000 | Six months ended 30th June, 2022 (unaudited) HK\$'000 |
|---------------|--|--|
| Base rent | 15,000 | 13,500 |
| Variable rent | — | 13,782 |
| | 15,000 | 27,282 |

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

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

(e) Gross hotel revenue is recognised over time.

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

6. REIT MANAGER FEES

| | Six months ended 30th June, 2023 (unaudited) HK\$'000 | Six months ended 30th June, 2022 (unaudited) HK\$'000 |
|---------------|--|--|
| Base fees | 35,458 | 34,055 |
| Variable fees | 8,837 | 10,291 |
| | <u>44,295</u> | <u>44,346</u> |

For the financial years 2023 and 2022, the REIT Manager elected to receive its base fees and variable fees in the form of cash.

7. FINANCE COSTS – EXCLUDING DISTRIBUTION TO UNITHOLDERS

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

8. INCOME TAX

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

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

9. EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS

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

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

10. PROPERTY, PLANT AND EQUIPMENT

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

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

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

11. INVESTMENT PROPERTIES

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

The Group's investment properties were valued by Colliers at HK\$23,081,000,000 as at 30th June, 2023 (31st December, 2022: HK\$22,949,000,000).

12. ACCOUNTS RECEIVABLE

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

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

13. ACCOUNTS PAYABLE

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

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

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

14. NUMBER OF UNITS IN ISSUE

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

15. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

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

16. DEFERRED TAX

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

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

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

EMPLOYEES

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

NEW UNITS ISSUED

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

BUY-BACK, SALE OR REDEMPTION OF UNITS

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

CORPORATE GOVERNANCE

The REIT Manager has adopted a compliance manual (the “**Compliance Manual**”) which sets out the key processes, internal control and systems and policies and procedures to guide operations and, thereby, set a high standard of corporate governance to ensure the relevant regulations and legislation are adhered to.

During the Interim Period, Regal REIT and the REIT Manager have complied with the provisions of the Compliance Manual and, where applicable, the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PUBLIC FLOAT

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

REVIEW OF INTERIM RESULTS

Regal REIT's condensed consolidated financial statements for the Interim Period have not been audited, but have been reviewed by Ernst & Young, the external auditors of Regal REIT, whose review report is contained in the Interim Report of Regal REIT for the six months ended 30th June, 2023 to be despatched to Unitholders.

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

ISSUANCE OF INTERIM REPORT

The Interim Report of Regal REIT for the Interim Period is expected to be despatched to Unitholders on or before 11th September, 2023.

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

Hong Kong, 25th August, 2023

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