



REGAL REIT
富豪產業信託

Regal Real Estate Investment Trust

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



2023
ANNUAL REPORT

Managed by



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

CONTENTS

Corporate Information	2
Chairman’s Statement	3
Property Portfolio	7
Report of the REIT Manager	17
Director and Executive Officer Profiles	39
Corporate Governance Report	43
Connected Party Transactions	59
Disclosure of Interests	66
Audited Financial Statements	68
Consolidated Statement of Profit or Loss	68
Consolidated Statement of Comprehensive Income	69
Consolidated Statement of Financial Position	70
Consolidated Statement of Changes in Net Assets Attributable To Unitholders	72
Distribution Statement	73
Consolidated Statement of Cash Flows	74
Notes to Consolidated Financial Statements	76
Independent Auditor’s Report	119
Performance Table	124
Trustee’s Report	125
Valuation Report	126
Summary of Property Portfolio	186
Summary Financial Information	188

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 Communications (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 have pleasure to present, on behalf of the Board of Directors of Regal Portfolio Management Limited as the REIT Manager, the 2023 Annual Report of Regal Real Estate Investment Trust.

FINANCIAL RESULTS

For the year ended 31st December, 2023, Regal REIT recorded a consolidated profit before distributions to Unitholders of HK\$265.7 million, as compared to a profit of HK\$929.9 million for the 2022 financial year. The profit recorded for the year under review was principally attributable to the gain of HK\$366.9 million arising from the increase in the fair value of Regal REIT's investment property portfolio, as compared to its appraised value as at 31st December, 2022, while for the 2022 financial year, a fair value gain of HK\$754.7 million was recorded. However, if the effects of these fair value changes are excluded, Regal REIT would report a core operating loss of HK\$101.2 million for the year under review, as compared to a core operating profit of HK\$175.2 million for the preceding year. The core operating loss incurred was mainly due to the substantial increase in financial expenses, which amounted to HK\$611.2 million (2022 - HK\$281.8 million), as the Hong Kong Interbank Offered Rates (HIBOR), on which the borrowing costs of Regal REIT's bank loans were based, had risen rapidly in the second half of 2023.

Consequently, Regal REIT recorded an adjusted loss of HK\$127.6 million for 2023 (2022 - total distributable income of HK\$204.8 million), which precludes any distribution for the year. Therefore, same as with the interim period, the Board of Directors of the REIT Manager has decided not to declare any final distribution for the year ended 31st December, 2023 (2022 - final distribution of HK\$0.010 per Unit and total distributions for the year of HK\$0.061 per Unit).

HOTEL MARKET AND BUSINESS REVIEW

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

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

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

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

Being one of the major hotel owners in Hong Kong, Regal REIT presently owns a portfolio of nine operating hotels, comprising five hotels under the full-service "Regal" brand (the "Initial Hotels") and four hotels under the select-service "iclub" brand, together commanding a total room count of over 4,900 guestrooms and suites.

Apart from the iclub Wan Chai Hotel which is owned and self-operated by Regal REIT, all the five Initial Hotels and the three other iclub Hotels are leased to a wholly-owned subsidiary of Regal Hotels International Holdings Limited ("RHIHL"), the immediate listed holding company of Regal REIT, for hotel operations.

As mentioned in my Chairman's Statement in the 2023 Interim Report of Regal REIT, due to the different operating modes and revenue structures of the three Initial Hotels (namely, the Regal Airport Hotel, Regal Kowloon Hotel and Regal Oriental Hotel) and the two iclub Hotels (namely, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel) when they were operating under various government hotel quarantine schemes in 2022, the aggregate net operating income of these five hotels for 2023 was as a whole still below the level attained in 2022, despite the continuing improvements that have been achieved in their operating performance since the lifting of travel restrictions early last year. However, for those hotels that have all along been operating normal hotel business (namely, the Regal Hongkong Hotel, Regal Riverside Hotel, iclub Sheung Wan Hotel and iclub Wan Chai Hotel), their business operations in 2023 have strongly rebounded, recording significant increases in their aggregate net property income ("NPI") of about 200.0% over the level attained in 2022.

In accordance with the terms of the 2023 market rental packages, the Initial Hotels generated aggregate base rent of HK\$480.0 million. The market rental reviews for the Initial Hotels for 2024 were completed in September 2023 and their aggregate annual base rent for 2024 was determined to be HK\$544.0 million, which is approximately 13.3%, or HK\$64.0 million, above the aggregate base rent for 2023. Variable rent will continue to be based on 50% sharing of the excess of the aggregate NPI of the Initial Hotels over their aggregate base rent.

The other three iclub Hotels (namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel) leased to the RHIHL lessee generated rental receipts of HK\$98.0 million for 2023, which included aggregate variable rent of HK\$6.0 million earned by the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel.

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

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 (including the lease rentals from the non-hotel portions) of this property has increased by 88.6% as compared to 2022.

At the extraordinary general meeting (the "EGM") held on 31st January, 2024, the independent Unitholders approved, among others, the extensions and amendments of the existing lease agreements and lease guarantees for the iclub Sheung Wan Hotel and iclub Fortress Hill Hotel for another ten years to 31st December, 2034, with the market rental packages for the extended terms continuing to be determined annually by a jointly appointed independent professional property valuer. At the same EGM, the independent Unitholders also approved the extensions and amendments of the existing hotel management agreements for these two hotels, which will also run through to 31st December, 2034.

Regal REIT concluded the refinancing exercises for the iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel in the second half of 2023, with the tenure of the refinancing loans staggered from 2 years to 5 years. Further information on the hotel properties owned by Regal REIT, including their detailed lease terms and their 2023 operating data, is contained in the Report of the REIT Manager in the 2023 Annual Report.

BUSINESS OUTLOOK

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

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

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

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

The REIT Manager is optimistic that the tourist and hotel markets in Hong Kong will continue to recover. The REIT Manager is also optimistic that when the interest rates in Hong Kong gradually settle to more normal levels, Regal REIT will be able to resume distributions to Unitholders.

Finally, I would also like to express my appreciation and gratitude to my other fellow Directors, all the staff members as well as all the Unitholders for their continued support during the past year.

Lo Yuk Sui

Chairman

Regal Portfolio Management Limited

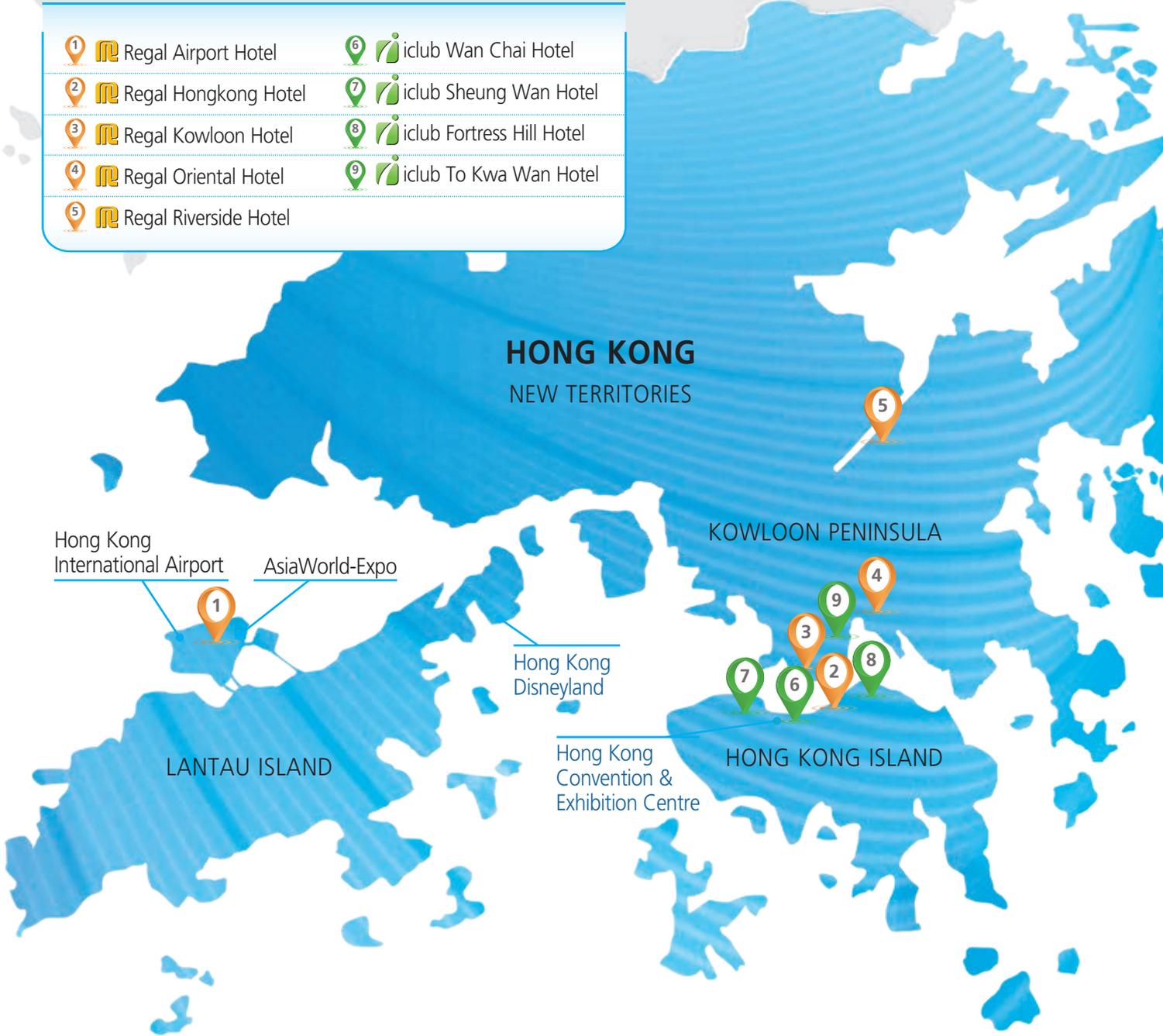
(as the REIT Manager of Regal REIT)

Hong Kong, 27th March, 2024

PROPERTY PORTFOLIO

Location of the Hotel Properties in Hong Kong

1	Regal Airport Hotel	6	iclub Wan Chai Hotel
2	Regal Hongkong Hotel	7	iclub Sheung Wan Hotel
3	Regal Kowloon Hotel	8	iclub Fortress Hill Hotel
4	Regal Oriental Hotel	9	iclub To Kwa Wan Hotel
5	Regal Riverside Hotel		



Key to Hotel Facility Icons

	Room Count		Gross Floor Area (sq. m.)		Ballroom		Swimming Pool
	Opening Year		Restaurant		Meeting Room		Spa
	Approx. Covered Floor Area (sq. m.)		Bar / Lounge		Business Centre		Club Lounge

REGAL AIRPORT HOTEL



Regal Ballroom



Presidential Suite



Café Aficionado

9 Cheong Tat Road,
Hong Kong International Airport,
Chek Lap Kok, Hong Kong.
Tel: (852) 2286 8888
Fax: (852) 2286 8686
Email: info@airport.regalhotel.com
Website: airport.regalhotel.com

- The only hotel connected directly to the airport passenger terminals
- Close to the Hong Kong-Zhuhai-Macao Bridge
- State-of-the-art meeting and conference venues of approximately 3,300 sq. m. with a built-in giant high-definition LED wall (9m x 4m) and 3D Projection Mapping Technology
- Easy access to AsiaWorld-Expo, Hong Kong Disneyland and The Big Buddha
- MASTERCHEF Recommendation Restaurant – Rouge (2020-2023)
- Gold Benchmarking Certificate by EarthCheck (2018-2023)
- Trusted Cleanliness Badge by TrustYou (2020-2021)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020)
- Certificate of Excellence by TripAdvisor (2016-2020)
- World's Best Airport Hotel by Business Traveller UK Magazine for 13 years (2008-2019)
- Best Airport Hotel Asia Pacific by Travel Weekly Asia for 3 consecutive years (2017-2019 and 2023)
- Travel Hall of Fame Award by TTG Asia Media Pte Ltd for 5 years (2015-2018 and 2023)
- Best Airport Hotel in Asia-Pacific by Business Traveller Asia-Pacific Magazine for 17 consecutive years (2001-2017)
- Best Airport Hotel in Asia-Pacific by TTG Asia Media Pte Ltd for 10 consecutive years (2005-2014)
- World's Best Airport Hotel and Best Airport Hotel Asia in the Skytrax Awards for 4 consecutive years (2011-2014)

 1,171	 1,050 sq. m.
 1999	 27
 83,400 sq. m.	 1
 71,988 sq. m.	 2
 5	 1
 1	 1

REGAL HONGKONG HOTEL



Executive Club Lounge



Executive Suite



Regal Palace

88 Yee Wo Street,
Causeway Bay, Hong Kong.
Tel: (852) 2890 6633
Fax: (852) 2881 0777
Email: info@hongkong.regalhotel.com
Website: hongkong.regalhotel.com

 481	 239 sq. m.
 1993	 14
 32,000 sq. m.	 1
 25,090 sq. m.	 1
 3	 1
 1	

- Located in the heart of Causeway Bay, one of the popular shopping and commercial districts in Hong Kong
- Within walking distance from Victoria Park, Hong Kong Stadium - home to the annual spectacular Rugby Sevens Tournament and Happy Valley Racecourse where exciting horse races are staged regularly
- Convenient location to the Hong Kong Convention and Exhibition Centre
- Regal Ballroom and The Forum (meeting and conference centre) provide a full range of facilities catering to the needs of business travellers, meeting and exhibition delegates
- Executive Club Floor features a collection of 81 tastefully appointed guestrooms and suites with a private lounge
- HACCP Certification by SGS Hong Kong (2022-2025)
- Caring Company 10 Years+ Award by The Hong Kong Council of Social Service (2018-2024)
- Gold Benchmarking Certificate by EarthCheck (2018-2023)
- MASTERCHEF Recommendation Restaurant – Regal Palace (2020-2023)
- Travellers' Choice Award by TripAdvisor (2020-2023)
- Quality Restaurant Certification (15 years+) by Hong Kong Tourism Board – Regal Palace (2023)
- Top Producing Hotel by Trip.com (2022)
- Trusted Cleanliness Badge by TrustYou (2020-2022)
- Best Business Hotel by Ctrip (2019)
- Certificate of Excellence by TripAdvisor (2019)

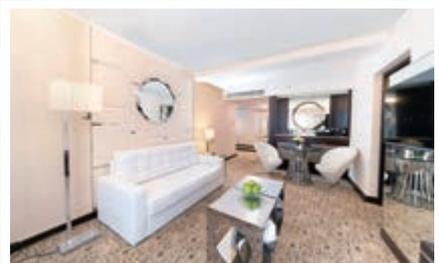
REGAL KOWLOON HOTEL



Regal Court



Luxembourg Room



Royal Suite

71 Mody Road, Tsimshatsui,
Kowloon, Hong Kong.
Tel: (852) 2722 1818
Fax: (852) 2369 6950
Email: info@kowloon.regalhotel.com
Website: kowloon.regalhotel.com

	600		1
	1982		353 sq. m.
	43,500 sq. m.		12
	31,746 sq. m.		1
	3		1

- Conveniently located in Tsim Sha Tsui East, a commercial and tourist district
- Within walking distance from the Tsim Sha Tsui ("TST"), East TST and Hung Hom MTR stations, 10-minute drive to the Hong Kong West Kowloon Station - the terminus of High Speed Rail (Hong Kong Section) with easy access to other cities of Mainland China
- Close to TST's waterfront with promenade, major shopping centres and entertainment areas
- Nearby popular tourist attractions including K11 Musea, Hong Kong Science Museum, Hong Kong Space Museum, Hong Kong Museum of Art, Hong Kong Cultural Centre, Clock Tower and the Star Ferry, etc.
- HACCP Certification by SGS Hong Kong (2022-2025)
- Caring Company Award by The Hong Kong Council of Social Service (2018-2024)
- Gold Benchmarking Certificate by EarthCheck (2020-2023)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020-2023)
- Travellers' Choice Award by TripAdvisor (2021-2023)
- MASTERCHEF Recommendation Restaurant - Regal Court (2019-2023) & Mezzo (2021-2023)
- Trusted Cleanliness Badge by TrustYou (2020-2021)
- Loved by Guests Award by Hotels.com (2020)
- Certificate of Excellence by TripAdvisor (2016-2017 and 2019)

REGAL ORIENTAL HOTEL



Suite



The China Coast Pub+Restaurant



Communal Lounge

30-38 Sa Po Road, Kowloon City,
Kowloon, Hong Kong.
Tel: (852) 2718 0333
Fax: (852) 2718 4111
Email: info@oriental.regalhotel.com
Website: oriental.regalhotel.com

 494	 1
 1982	 345 sq. m.
 27,300 sq. m.	 7
 22,601 sq. m.	
 4	

- The only full-service hotel located in the heart of Hong Kong's heritage district, Kowloon City, neighboring the Kai Tak Development Area including the world-class Kai Tak Cruise Terminal
- Vicinity to historic landmarks such as Wong Tai Sin Temple and Chi Lin Nunnery
- 5-minute walking distance to Sung Wong Toi MTR station of the Tuen Ma Line, with easy inter-change to Mong Kok and other business and shopping districts
- Spacious and quiet rooms set up with 1 King, 2 Queen or up to 4 single beds are offered to cater for different needs. Facilities include private lounge and gymnasium in a compact and cozy environment
- Gold Benchmarking Certificate by EarthCheck (2018-2023)
- Halal Certificate by The Incorporated Trustees of The Islamic Community Fund of Hong Kong (2013-2022)
- Trusted Cleanliness Badge by TrustYou (2021)
- Indoor Air Quality Certificate – Excellent Class by Environmental Protection Department (2014-2019)
- Caring Company 5 Years+ Award by The Hong Kong Council of Social Service (2014-2019)
- Carbon Reduction Certificate by the Environmental Campaign Committee (2016-2019)
- "Good Employer Charter" Certificate by Labour Department (2018-2019)
- 10-year QTS Merchant Recognition for The China Coast Pub + Restaurant by Hong Kong Tourism Board (2019)

REGAL RIVERSIDE HOTEL



Deluxe Suite



OM Spa



Riverside Ballroom

34-36 Tai Chung Kiu Road, Shatin,
New Territories, Hong Kong.
Tel: (852) 2649 7878
Fax: (852) 2637 4748
Email: info@riverside.regalhotel.com
Website: riverside.regalhotel.com

	1,147		549 sq. m.
	1986		9
	69,100 sq. m.		1
	59,668 sq. m.		1
	8		1
	2		1

- The largest hotel in Shatin overlooking the Shing Mun River
- Easy access to Hong Kong Island, Kowloon and the mainland border
- Within walking proximity to Shatin New Town Plaza, a mega shopping complex featuring over 400 shops and restaurants
- Close to Sha Tin Racecourse, Hong Kong Science & Technology Parks, The Chinese University of Hong Kong and the Ten Thousand Buddhas Monastery
- Executive Club Lounge provides comprehensive facilities that bring a truly comfortable and convenient stay
- Gold Benchmarking Certificate by EarthCheck (2018-2023)
- MASTERCHEF Recommendation Restaurant – Dragon Inn (2020-2023)
- MASTERCHEF Recommendation Restaurant – Vi (2021-2023)
- Popular Hotel of the Year by Meituan Hotel Award (2022-2023)
- Hala Certificate by The Incorporated Trustees of The Islamic Community Fund of Hong Kong (2023)
- MASTERCHEF Recommendation Restaurant – Regal Terrace (2023)
- U Favourite Food Awards – My Favourite Buffet Restaurant – L'Eau (2023)
- 15-year QTS Quality Merchant Recognition by Hong Kong Tourism Board – L'Eau and Avanti Pizzeria (2023)
- Outstanding QTS Merchant Silver Award by Hong Kong Tourism Board – L'Eau (2022)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020-2022)
- Trusted Cleanliness Badge by TrustYou (2020-2021)
- MameAwards – Mame's Best Choice of Postpartum Hotel (2021)
- Squarefoot Serviced Apartment Awards 2020 – Best Serviced Apartment Provider (2020)
- Certificate of Appreciation by Christian Action's Signature Employer Program (2018-2020)
- Trip.com Best Selling Hotel Awards (2020)
- Certificate of Appreciation in Hong Kong No Air-Con Night from Green Sense (2012-2020)

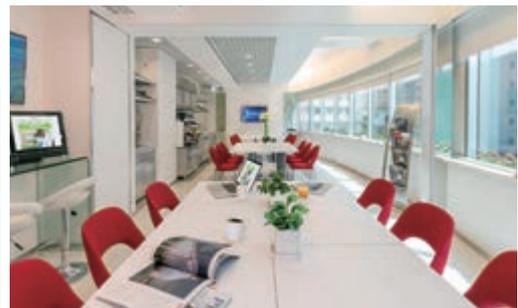
iclub WAN CHAI HOTEL



iPlus Premier



iSuite Premier



iLounge

211 Johnston Road,
Wan Chai, Hong Kong.
Tel: (852) 3963 6000
Fax: (852) 3963 6022
Email: info@wanchai.iclub-hotels.com
Website: wanchai.iclub-hotels.com

-  99
-  2009
-  5,530 sq. m.
-  5,326 sq. m.
-  1
-  1

- 99 chic and trendy guestrooms and suites with interactive services and innovative facilities
- Convenient location within walking distance to Wan Chai MTR station and Hong Kong Convention and Exhibition Centre
- Centrally located on Hong Kong Island - 2 MTR stations from Central and 1 MTR station from Causeway Bay
- Flexible room configuration accommodates up to 4 guests, ideal for families and travelling groups
- Rooms on high floors feature fascinating view of exciting city vistas
- Daily complimentary morning refreshments and coffee & tea throughout the day in the multi-functional indoor iLounge
- New kitchen equipment for long stay guests
- Newly equipped entertainment corner with board games
- 24-hour self-service laundry and drying facilities
- 24-hour complimentary use of computers in iEngage
- 24-hour complimentary use of fitness facilities in Sweat Zone
- A completely smoke-free hotel
- Gold Benchmarking Certificate by EarthCheck (2024)
- Gold Circle Award by Agoda (2023)
- Travellers' Choice Award by TripAdvisor (2020-2021)
- Trusted Cleanliness Badge by TrustYou (2020)
- Customer Review Award by Agoda (2020)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020)
- Certificate of Excellence by TripAdvisor (2019)
- Guest Rated Award "Good" by Expedia.com (2018)

iclub SHEUNG WAN HOTEL



iPlus Premier



iBusiness



Lobby

138 Bonham Strand,
Sheung Wan, Hong Kong.
Tel: (852) 3963 6100
Fax: (852) 3963 6122
Email: info@sheungwan.iclub-hotels.com
Website: sheungwan.iclub-hotels.com



248



2014



9,600 sq. m.



7,197 sq. m.



1



1

- A contemporary select-service hotel with 248 chic and trendy guestrooms and suites
- Convenient location with 3-minute walking distance to Sheung Wan MTR station, 7-minute walking distance to Hong Kong Macau Ferry Terminal and walking distance to Hollywood Road and SoHo area
- Flexible room configuration accommodates up to 6 guests in a room, ideal for families and travelling groups
- Daily complimentary morning refreshments and coffee & tea throughout the day in iLounge
- 24-hour self-service laundry and drying facilities
- 24-hour complimentary use of computers in iEngage
- 24-hour complimentary use of fitness facilities in Sweat Zone
- A completely smoke-free hotel
- Gold Benchmarking Certificate by EarthCheck (2024)
- Popular Hotel of the Year by MeiTuan Hotel (2023)
- Gold Circle Award by Agoda (2023)
- Traveller Review Awards by Booking.com (2020-2022)
- Loved by Guests Award by Hotels.com (2020-2021)
- Travellers' Choice Award by TripAdvisor (2020-2021)
- Trusted Cleanliness Badge by TrustYou (2021)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020)
- Certificate of Excellence by TripAdvisor (2019)
- Guest Rated Award "Excellent" by Expedia.com (2018)
- Best Serviced Apartment Award by GoHome.com.hk (2017-2018)
- Guest Review Awards by Booking.com (2015-2018)

iclub FORTRESS HILL HOTEL



Connecting Room



Carpark



iLounge

18 Merlin Street,
North Point, Hong Kong.
Tel: (852) 3963 6300
Fax: (852) 3963 6322
Email: info@fortresshill.iclub-hotels.com
Website: fortresshill.iclub-hotels.com



338



2014



9,400 sq. m.



6,849 sq. m.



1



1

- A contemporary select-service hotel with 338 chic and trendy guestrooms
- Convenient location within walking distance to Fortress Hill or Tin Hau MTR stations
- 2 MTR stations away from the Hong Kong Convention & Exhibition Centre and commercial hub in Eastern District (Tai Koo Place)
- Easy access to East Coast Park and Victoria Park, the biggest park on Hong Kong Island
- The only pet-friendly hotel in Fortress Hill providing designated floor and pets playground
- Newly equipped family iSuite with microwave
- New kitchen equipment for long stay guests
- Relaxed outdoor garden with exclusive clubhouse-like experiences
- Newly equipped entertainment corner with board games
- Connecting rooms for travelling group
- Rooms on higher floors feature fascinating harbour view and Hong Kong skyline
- Daily complimentary morning refreshments and coffee & tea throughout the day in iLounge
- 24-hour self-service laundry and drying facilities
- 24-hour complimentary use of computers in iEngage
- 24-hour complimentary use of fitness facilities in Sweat Zone
- A completely smoke-free hotel
- Gold Benchmarking Certificate by EarthCheck (2024)
- Popular Hotel of The Year by MeiTuan Hotel (2023)
- Best Performance by Trip.com Group (2023)
- Trusted Cleanliness Badge by TrustYou (2020)
- Travellers' Choice Award by TripAdvisor (2020)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020)
- Certificate of Excellence by TripAdvisor (2019)
- Carbon Reduction Certificate by Hong Kong Green Organisation Certification (2018)

iclub TO KWA WAN HOTEL



iBusiness Premier



iSelect Premier



Hotel Lobby

8 Ha Heung Road,
To Kwa Wan, Hong Kong.
Tel: (852) 3963 6600
Fax: (852) 3963 6622
Email: info@tokwawan.iclub-hotels.com
Website: tokwawan.iclub-hotels.com



340



2017



9,490 sq. m.



6,298 sq. m.



1



1

- A contemporary select-service hotel opened in 2017 with 340 chic and trendy guestrooms
- Close to To Kwa Wan MTR station of the Tuen Ma Line
- 3-minute walking distance to the airport bus station
- Flexible room configuration accommodates up to 6 guests in a room, ideal for families and travelling group
- Rooms on higher floors feature fascinating harbour view and Hong Kong skyline
- Daily complimentary morning refreshments
- 24-hour self-service laundry and drying facilities
- 24-hour complimentary use of computers in iEngage
- 24-hour complimentary use of fitness facilities in Sweat Zone
- A completely smoke-free hotel
- Silver Benchmarking Certificate by EarthCheck (2024)
- Outstanding Partner Award by MeiTuan Hotel (2023)
- Travellers' Choice Award by TripAdvisor (2020-2021)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020)
- Trusted Cleanliness Badge by TrustYou (2020)
- City Hotel of the Year 2018 by GHM (Guangdong, Hong Kong, Macao) Hotel General Managers Society (2018)
- Indoor Air Quality Certificate – Good Class by Environmental Protection Department (2017-2018)

The Directors of the REIT Manager herein present their report together with the audited consolidated financial statements of Regal Real Estate Investment Trust (“Regal REIT”) and its subsidiaries (collectively, the “Group”) for the year ended 31st December, 2023.

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 investment 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 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.

ORGANISATION AND STRUCTURE OF REGAL REIT

Regal REIT was constituted by a trust deed dated 11th December, 2006 (as amended and restated by a first amending and restating deed dated 23rd March, 2021 and a second amending and restating deed dated 31st January, 2024) (the “Trust Deed”) entered into between the REIT Manager and the Trustee of Regal REIT. Regal REIT is a collective investment scheme established in the form of a unit trust under Hong Kong laws and its units (the “Units”) have been listed on the main board of The Stock Exchange of Hong Kong Limited (the “HK Stock Exchange”) since 30th March, 2007 (the “Listing Date”).

Regal REIT is regulated by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), the Code on Real Estate Investment Trusts (the “REIT Code”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), as if they were applicable to Regal REIT.

As at 31st December, 2023, the property portfolio of Regal REIT was comprised of (a) Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel (collectively, the “Initial Hotels”); and (b) iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel (collectively, the “iclub Hotels”).

The REIT Manager and the Trustee

The REIT Manager is licensed by the Securities and Futures Commission in Hong Kong (the “SFC”) to undertake the regulated activity 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 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 and all regulatory requirements.

The RHIHL Lessee and the Hotel Manager

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

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

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.

On 4th September, 2017, Regal REIT acquired the iclub To Kwa Wan Hotel and leased it to the RHIHL Lessee for hotel operations for a term of five years commencing on 4th September, 2017 under a lease agreement (the “TKW Lease Agreement”), which is extendable at the option of Regal REIT for a further term to 31st December, 2027. On 29th December, 2021, Regal REIT exercised its options to extend the lease term of the iclub To Kwa Wan Hotel for a further term, commencing from 4th September, 2022 and expiring on 31st December, 2027 (both days inclusive). On 8th June, 2022, Regal REIT and the RHIHL Lessee entered into the supplemental deed amending the TKW Lease Agreement to formally effect the extension of the abovementioned lease term. 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	
Total		<hr/> 4,918 <hr/>	

RENTAL AND REVENUE STRUCTURE

Initial Hotels – Rental Revenue Derived from Hotel Operations

Rental revenues, represented by base rent and variable rent in respect of the Initial Hotels, are derived from hotel operations, that is, from the hotel businesses leased to the RHIHL Group and managed by the Hotel Manager.

Specifically, total hotel revenue consists of the following:

- Room revenue, which is primarily driven by hotel room occupancy rates and achieved average room rates;
- Food and beverage revenue ("F&B Revenue"), which is primarily driven by banquet business, local patron and hotel room guests' usage of bars and restaurants; and
- Other income, which consists of ancillary hotel revenue and other items, which is mainly driven by hotel room occupancy rates which, in turn, affect telephone, internet and business centre usage, spa and health centres, parking and dry cleaning/laundry services.

Hotel operating costs and expenses consist of direct costs and expenses attributable to the respective operating departments, e.g. rooms department, food and beverage department, etc. as well as costs and expenses attributable to overhead departments such as the administration department, the sales and marketing department and the repairs and maintenance department.

Most categories of variable expenses, such as certain labour costs in housekeeping and utility costs, fluctuate with changes in the levels of room occupancies. The cost of goods sold in the hotel business, such as food products and beverages, fluctuate with guest frequency of dining in restaurants, bars and banquets.

The following performance indicators are commonly adopted in the hotel industry:

- Room occupancy rates;
- Average room rates; and
- RevPAR, room revenue divided by rooms available, or a product of the occupancy rates and the average room rates (RevPAR does not include F&B Revenue or other income, i.e. only room revenue).

Initial Hotels – Rental Structure and Market Rental Packages

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

IH Market Rental Package for 2023

According to the IH Market Rental Package for 2023, the aggregate Base Rent for the Initial Hotels was determined at HK\$480.0 million, to be payable by cash by the RHIHL Lessee on a monthly basis. Regal REIT would be entitled to receive Variable Rent based on 50% sharing of any excess of the aggregate NPI over the aggregate Base Rent. No FF&E reserve is required to be contributed by the RHIHL Lessee and the obligation for such contribution rests with the Lessors. The RHIHL Lessee has provided third party guarantees as security deposits for an aggregate amount of HK\$120.0 million, which is equivalent to three months’ Base Rent.

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 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 NPI from the operations of the Initial Hotels over the aggregate 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, effective on 1st January, 2024, for an aggregate amount of HK\$136.0 million, which is equivalent to three months’ aggregate Base Rent of the Initial Hotels for 2024, issued by a licensed bank in Hong Kong. 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.

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 for generating 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 2023

According to the determination of SW Market Rental Package for 2023, the Base Rent payable by the RHIHL Lessee was HK\$32.0 million, with Variable Rent to be based on 50% of the excess of the NPI over the Base Rent. No FF&E reserve is required to be contributed by the RHIHL Lessee and the obligation for such contribution rests with the lessor. The RHIHL Lessee has provided a third party guarantee as a security deposit for an amount of HK\$8.1 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Sheung Wan Hotel for 2023.

SW Market Rental Package for 2024

The same independent professional property valuer, Ms. Stella Ho, was jointly appointed in June 2023 to determine the SW Market Rental Package for 2024. According to the determination of the SW Market Rental Package for 2024, the Base Rent to be 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 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 is required to provide a third party guarantee as a security deposit, effective on 1st January, 2024, 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.

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 2023

According to the determination of FH Market Rental Package for 2023, the Base Rent payable by the RHIHL Lessee was HK\$30.0 million, with Variable Rent to be based on 50% of the excess of the NPI over the Base Rent and no FF&E reserve is required to be contributed by the RHIHL Lessee and the obligation for such contribution rests with the lessor. The RHIHL Lessee has provided a third party guarantee as a security deposit for an amount of HK\$7.8 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Fortress Hill Hotel for 2023.

FH Market Rental Package for 2024

Concurrent with the appointment as independent professional property valuer for the SW Market Rental Package 2024, Ms. Stella Ho was also appointed in June 2023 to determine the FH Market Rental Package for 2024. According to the determination of the FH Market Rental Package for 2024, the Base Rent to be 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 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 is required to provide a third party guarantee as a security deposit, effective on 1st January, 2024, 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.

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 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 the lessee's contribution to the FF&E reserve) together with the amount of security deposit required (collectively, the "TKW Market Rental Package").

TKW Market Rental Package for 2022/23

The same independent professional property valuer, Ms. Stella Ho, was jointly appointed in March 2022 to conduct the first rent review for the iclub To Kwa Wan Hotel for the period from 4th September, 2022 to 31st December, 2023 (the “TKW 2022/23 Lease Year”). According to the determination of the TKW Market Rental Package for the TKW 2022/23 Lease Year, the pro-rated Base Rent payable by the RHIHL Lessee for the first period of the TKW 2022/23 Lease Year (from 4th September, 2022 to 31st December, 2022) is HK\$8.775 million, while the Base Rent for the second period of the TKW 2022/23 Lease Year (from 1st January, 2023 to 31st December, 2023) is HK\$30.0 million, with Variable Rent to be based on 50% of the excess of the NPI over the Base Rent and no FF&E reserve is required to be contributed by the RHIHL Lessee and the obligation for such contribution rests with the lessor for the whole period of the TKW 2022/23 Lease Year. The RHIHL Lessee has provided a third party guarantee as a security deposit for an amount of HK\$7.0 million (for the first period of the TKW 2022/23 Lease Year) and HK\$7.8 million (for the second period of the TKW 2022/23 Lease Year).

TKW Market Rental Package for 2024

The same independent professional property valuer, Ms. Stella Ho, was jointly appointed in June 2023 to determine the TKW Market Rental Package for 2024. According to the determination of the TKW Market Rental Package for 2024, the Base Rent to be 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 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 is required to provide a third party guarantee as a security deposit, effective on 1st January, 2024, 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.

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 year.

During the year, 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\$28.1 million was contributed to the FF&E reserve with corresponding expenditures of HK\$32.4 million being recorded for the purposes intended.

Capital Addition 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 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 year ended 31st December, 2023 are set out in the consolidated financial statements.

Review of the Economic Environment in 2023

According to research issued by the International Monetary Fund (IMF) in late 2023, the pace of recovery has moderated, after a strong initial rebound from the depths of the COVID-19 pandemic. Several forces are holding back the recovery. Some reflect the long-term consequences of the pandemic, war in Ukraine, and increasing geoeconomic fragmentation. Others are more cyclical, including the effects of monetary policy tightening necessary to reduce inflation, withdrawal of fiscal support amid high debt, and extreme weather events¹.

Despite signs of economic resilience in earlier 2023 and progress in reducing headline inflation, economic activity is still generally falling short of pre-pandemic projections. The strongest recovery among major economies has been in the United States, where GDP in 2023 is estimated to exceed its pre-pandemic path. The euro area has recovered, though less strongly and below pre-pandemic projections, reflecting greater exposure to the war in Ukraine and the associated adverse terms-of-trade shock, as well as a spike in imported energy prices¹.

GDP growth in China reached 5.2%² in 2023 and growth momentum is fading following a COVID-19 reopening surge in early 2023. Real estate investment and housing prices continue to decline, putting pressure on local governments' revenues from land sales and threatening already fragile public finances¹.

For 2023 as a whole, Hong Kong's GDP increased by 3.2%³ in real terms over 2022, following a contraction of 3.7% in 2022. Exports of services staged a strong rebound, benefitting from the revival of visitor arrivals after the resumption of normal travel with the Mainland and the rest of the world. Private consumption expenditure turned to a notable increase after the removal of anti-epidemic measures, supported by rising household incomes and the Government's various initiatives. Overall investment expenditure reverted to growth in tandem with the economic recovery. Yet, total exports of goods fell further amid the challenging external environment⁴.

According to statistics published by the Census and Statistics Department of the Hong Kong Government, the seasonally adjusted unemployment rate of Hong Kong stood at 2.9% in October - December 2023, same as that in September - November 2023. This is 0.6 percentage point lower than the same period last year. The unemployment rates of the various sectors stayed low in October - December 2023. Compared with the preceding three-month period, the unemployment rates of most sectors either declined or stayed unchanged. The underemployment rate also remained unchanged at 1.0% in the two periods. Movements in the underemployment rate in different industry sectors varied, but the magnitudes were generally not large⁵.

¹ Source: Publications, International Monetary Fund, "World Economic Outlook – Navigating Global Divergences", 10th October, 2023.

² Source: Press Release, National Bureau of Statistics of China, "National Economy Witnessed Momentum of Recovery with Solid Progress in High-quality Development in 2023", 17th January, 2024.

³ Source: Budget Speech, The 2024-25 Budget, "Economic Situation in 2023", 28th February, 2024.

⁴ Source: Press Release, Census & Statistics Department, "Advance estimates on Gross Domestic Product for fourth quarter and whole year of 2023", 31st January, 2024.

⁵ Source: Press Release, Census and Statistics Department, "Unemployment and underemployment statistics for October – December 2023", 18th January, 2024.

Visitor Arrivals in Hong Kong, 2023 versus 2022⁶

Visitors to Hong Kong by Geographical Regions	2023 (Percentage of total visitors)	2023 (No. of visitors)	2022 (No. of visitors)	Variance (No. of visitors)	Variance (%)
Mainland China	78.71%	26,760,453	375,130	26,385,323	7,033.6%
South & Southeast Asia	7.12%	2,420,644	78,491	2,342,153	2,984.0%
North Asia	2.20%	749,388	15,664	733,724	4,684.1%
Taiwan	2.31%	783,778	24,249	759,529	3,132.2%
Europe, Africa & the Middle East	2.54%	864,031	44,542	819,489	1,839.8%
The Americas	2.66%	904,205	41,735	862,470	2,066.5%
Australia, New Zealand & South Pacific	0.86%	293,145	14,528	278,617	1,917.8%
Macau SAR/Not identified	3.60%	1,224,016	10,225	1,213,791	11,870.8%
Totals	100%	33,999,660	604,564	33,395,096	5,523.8%
Overnight visitors included in above	50.5%	17,159,320	567,785	16,591,535	2,922.2%

Following the removal of all travel restrictions early last year, Hong Kong received a total of about 34 million visitors in 2023. Due to the low comparative base, this reflected an increase of 55 times year-on-year, but, as a matter of fact, it only represented about 55% of the aggregate visitor arrivals in the pre-COVID times. Visitors from China continued to account for the largest share in the local tourism sector. As per the Hong Kong Tourism Board (HKTB), the trend for overnight-visitors percentage improved and stood at 50% in the fourth quarter, with an average stay of about 3.6 nights⁷.

Mainland China visitors increased and recorded a growth rate of 70 times, with arrivals aggregating approximately 26.8 million, representing 78.7% of the total visitor arrivals to Hong Kong in 2023.

Arrivals from short-haul markets comprising other Asian regions (including North Asia, South & Southeast Asia, Taiwan and Macau) were reported as 5.2 million and accounted for 15.2% of total arrivals, representing a growth rate of 39 times as compared to 2022.

For the long-haul markets, a growth rate of nearly 20 times was recorded, with total arrivals of approximately 2.1 million. Visitors from the Americas also displayed an increase with a growth rate of 21 times and represented 2.7% of the total number of visitors. Overall, visitor arrivals from the European, Africa and the Middle East markets recorded an aggregate growth of 18 times, with the visitor number reaching 0.9 million and accounting for 2.5% of total arrivals.

Similar to other international gateway cities, in-bound visitor numbers drive the core lodging demand for the local hotel industry. Overnight visitors aggregated approximately 17.2 million, representing 50.5% of total arrivals and showing an increase of 29 times year-on-year.

⁶ Source: Research, Hong Kong Tourism Board, "Visitor Arrival Statistics – Dec 2023", January 2024; "Visitor Arrival Statistics – Dec 2022", January 2023; the REIT Manager.

⁷ Source: News, The Standard, "Hong Kong welcomes 34 million tourists in 2023 with mainland being largest market", 13th January, 2024.

Review of Hotel Room Supply in Hong Kong in 2023 and Forecast for 2024

In 2023, the hotel room supply in Hong Kong reported growth of 1.0% over 2022. This represented an annual increase of 904 units from 89,205 to 90,109 rooms. During the year under review, 2 new hotel properties were opened and the number rose from 319 to 321, posting year-on-year growth of 0.6%. A continuing increase in the new room supply by 616 units in 2024 with 2 new hotels is anticipated. By the end of 2024, it is projected that the hotel room supply will reach 90,725 with an increase of about 0.7% over the preceding year⁸.

Industry Performance

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

Category	Hong Kong Hotel Market Performance (2023 versus 2022) ⁹					
	Room Occupancy Rates		Average Room Rates		RevPAR	
	2023	2022	2023	2022	2023	2022
	%	%	HK\$	HK\$	HK\$	HK\$
High Tariff A	76	56	2,347	1,707	1,784	956
High Tariff B	84	72	1,098	824	922	593
Medium Tariff	84	66	730	664	613	438
All Hotels	82	66	1,392	1,065	1,141	703

According to the hotel performance survey published by the HKTB, the average hotel occupancy rate for all the surveyed hotels in different categories in Hong Kong in 2023 was 82.0%, an increase of 16.0 percentage points over 2022. While the industry-wide average room rate improved by 30.7%, with the average Revenue per Available Room (RevPAR) of HK\$1,141, resulting in an overall increase by 62.3% or an increase of HK\$438 on a year-on-year basis.

Performance Highlights of Regal REIT

Being one of the major hotel owners in Hong Kong, Regal REIT presently owns a portfolio of nine operating hotels strategically located in different districts in Hong Kong, comprising five hotels under the full-service "Regal" brand (the "Initial Hotels") and four hotels under the select-service "iclub" brand, commanding an aggregate of 4,918 guestrooms and suites.

The financial performance of Regal REIT with regard to operating results and net asset value relies 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.

While 2023 was seen as the first year after the pandemic, with the hotels shifting from the quarantine mode in 2022 and returning to the normal hotel operating mode and, therefore, the operating statistics of the hotels owned by Regal REIT for 2023 as highlighted below may bear less reference to that for 2022 owing to the change in the business mode.

⁸ Source: Research, Hong Kong Tourism Board, "Hotel Supply Situation – as at Dec 2023", March 2024; the REIT Manager.

⁹ Source: Research, Hong Kong Tourism Board, "Hotel Room Occupancy Report – Dec 2023", January 2024; the REIT Manager.

For year 2023 as a whole, the five Initial Hotels operated with satisfactory results, especially for those hotels in the city area. During the year, the Initial Hotels generated aggregate total hotel revenue of HK\$1,185.3 million, or an increase of 11.2% year-on-year, despite the fact that three of them operated as quarantine hotels in 2022 with higher occupancy rates, average room rates and RevPAR under the quarantine hotel operations mode. As they shifted from the quarantine hotel operations back to the normal hotel operations, the Initial Hotels recorded a combined average occupancy rate of 69.4% in 2023 as compared to 62.3% in the prior year.

Likewise, the other four iclub Hotels recorded satisfactory results, with individual occupancy rates all surpassing 80%, and in particular, iclub Sheung Wan Hotel recorded a year-round occupancy rate of 90.5%.

Further details on the Individual hotel performance data and statistics for 2023 are further elaborated on the following sections and in the valuation report section of the respective hotel property in pages 126 to 185.

Performance of the Initial Hotels

Total hotel revenue, gross operating profit ("GOP"), NPI and statistics for the combined Initial Hotels for FY2023 versus FY2022 are set out below.

	FY2023	FY2022	Variance	Variance
	HK\$'million	HK\$'million	HK\$'million	%
Operating Results				
Room revenue	862.0	775.8	86.2	11.1%
Food and beverage revenue	305.2	235.7	69.5	29.5%
Other income	18.1	54.8	(36.7)	(67.0%)
	<hr/>	<hr/>		
Total hotel revenue	1,185.3	1,066.3	119.0	11.2%
Operating expenses	(795.1)	(673.8)	(121.3)	(18.0%)
	<hr/>	<hr/>		
Gross operating profit	390.2	392.5	(2.3)	(0.6%)
Other expenses	(44.6)	(42.9)	(1.7)	(4.0%)
Net rental income	37.2	40.6	(3.4)	(8.4%)
	<hr/>	<hr/>		
Net property income	382.8	390.2	(7.4)	(1.9%)
	<hr/> <hr/>	<hr/> <hr/>		
Statistics				
Average room rate	HK\$874.20	HK\$875.97	(HK\$1.77)	(0.2%)
Occupancy rate	69.4%	62.3%	7.1%	11.4%
RevPAR	HK\$606.61	HK\$545.99	HK\$60.62	11.1%
Total available room nights	1,420,945	1,420,945	—	—
Occupied room nights	986,001	885,672	100,329	11.3%

During the year under review, total hotel revenue of the Initial Hotels recorded a combined result of HK\$1,185.3 million (2022 - HK\$1,066.3 million), representing an increase of HK\$119.0 million or 11.2% year-on-year. GOP and NPI were HK\$390.2 million and HK\$382.8 million, respectively, reflecting satisfactory results upon resumption of normal hotel operations.

The combined average occupancy rate of the Initial Hotels in 2023 was 69.4%, as compared to 62.3% in the prior year. While the combined average room rate remained steady and their combined average RevPAR has risen by 11.1% to HK\$606.61 year-on-year.

Base Rent

According to the IH Market Rental Package for 2023, Regal REIT received Base Rent in the form of cash for each Initial Hotel on a monthly basis. During the year under review, Regal REIT received aggregate Base Rent of HK\$480.0 million, representing a monthly Base Rent of HK\$40.0 million.

Variable Rent

Regal REIT is entitled to receive Variable Rent through the sharing of the excess aggregate NPI from the Initial Hotels' operations over the annual Base Rent. For the year under review, the aggregate NPI from hotel operations of the Initial Hotels amounted to HK\$382.8 million, which was below the aggregate Base Rent of HK\$480.0 million. Therefore, no Variable Rent was earned for the year.

Performance of iclub Wan Chai Hotel

The hotel portion of the iclub Wan Chai Hotel recorded an average room rate of HK\$902.96 in 2023, compared to HK\$562.25 in 2022. With the year-round occupancy rate of 94.3% in 2023 (2022 - 92.6%), the RevPAR achieved for 2023 was HK\$851.06 as compared to HK\$520.87 for the previous year. Meanwhile, the non-hotel portions of the iclub Wan Chai Hotel, comprised the portion of the ground floor and other areas on the 27th to 29th floors of the premises, continued to be leased to tenants throughout the year.

Hotel portion

For the year ended 31st December, 2023, the hotel portion contributed gross hotel revenue of HK\$31.3 million and incurred operating costs and expenses of HK\$14.9 million.

Non-hotel portions

For the year ended 31st December, 2023, rental income of HK\$5.8 million was generated from the leasing of the non-hotel portions.

Performance of iclub Sheung Wan Hotel

For 2023, the iclub Sheung Wan Hotel achieved an overall occupancy rate of 90.5%, as compared to 86.6% in 2022. Its average room rate of HK\$823.49 (2022 - HK\$510.52) increased by 61.3%, resulting in a year-on-year growth of 68.7% in its average RevPAR.

Base Rent

According to the SW Market Rental Package for 2023, Regal REIT received Base Rent in the form of cash on a monthly basis. During the year, Regal REIT received HK\$32.0 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. For the year under review, as the NPI from hotel operations was HK\$39.3 million, which exceeded the Base Rent of HK\$32.0 million, Variable Rent of HK\$3.6 million was earned.

Performance of iclub Fortress Hill Hotel

For 2023, the iclub Fortress Hill Hotel achieved an overall occupancy rate of 84.7%, as compared to 72.6% in 2022. Its average room rate of HK\$609.55 (2022 - HK\$969.31) decreased by 37.1%, resulting in a year-on-year contraction of 26.6% in its average RevPAR.

Base Rent

According to the FH Market Rental Package for 2023, Regal REIT received Base Rent in the form of cash on a monthly basis. During the year, Regal REIT received HK\$30.0 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. For the year under review, as the NPI from hotel operations was HK\$34.7 million, which exceeded the Base Rent of HK\$30.0 million, Variable Rent of HK\$2.4 million was earned.

Performance of iclub To Kwa Wan Hotel

For 2023, the iclub To Kwa Wan Hotel achieved an overall average occupancy rate of 80.8%, as compared to 70.0% in 2022. Its average room rate of HK\$579.32 (2022 - HK\$1,003.43) decreased by 42.3%, resulting in a year-on-year contraction of 33.4% in its average RevPAR, owing to the fact that it operated as a quarantine hotel in 2022.

Base Rent

According to the TKW Market Rental Package for the second period of the TKW 2022/23 Lease Year (from 1st January, 2023 to 31st December, 2023), Regal REIT received Base Rent in the form of cash on a monthly basis. During the year, Regal REIT received HK\$30.0 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. For the year under review, as the NPI from hotel operations was HK\$29.3 million, which fell short of the Base Rent of HK\$30.0 million, no Variable Rent was earned.

Net Rental and Hotel Income

The aggregate net rental and hotel income for Regal REIT for the year ended 31st December, 2023 (as compared to the prior year) is set out below.

	2023		2022	
	HK\$'million	%	HK\$'million	%
Initial Hotels				
Base Rent	480.0	77.7	475.0	77.1
Variable Rent	—	—	—	—
Other income	2.6	0.4	2.3	0.3
iclub Sheung Wan Hotel				
Base/Variable Rents	35.6	5.8	27.0	4.4
iclub Fortress Hill Hotel				
Base/Variable Rents	32.4	5.2	37.8	6.1
iclub To Kwa Wan Hotel				
Rental income	30.0	4.9	50.0	8.1
iclub Wan Chai Hotel				
Gross hotel revenue	31.3	5.1	18.9	3.1
Rental income	5.8	0.9	5.4	0.9
Gross rental and hotel income	617.7	100.0	616.4	100.0
Property operating expenses	(3.8)	(0.6)	(3.5)	(0.6)
Hotel operating expenses	(14.9)	(2.4)	(12.3)	(2.0)
Net rental and hotel income	599.0	97.0	600.6	97.4

During the year under review, net rental and hotel income represented 97.0% 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.

Valuation of the Property Portfolio

As at 31st December, 2023, Regal REIT's overall property portfolio was valued at HK\$23,988.0 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 iclub Wan Chai Hotel that are classified as investment properties for an aggregate amount of HK\$23,352.0 million; and (ii) the owner-operated hotel portion of the iclub Wan Chai Hotel which is classified as property, plant and equipment for an amount of HK\$636.0 million.

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

Property	Location	31 Dec 2023 Valuation HK\$ million	31 Dec 2022 Valuation HK\$ million	% Change
<i>Initial Hotels:</i>				
Regal Airport Hotel	Lantau Island	1,429	1,710	-16.4%
Regal Hongkong Hotel	HK Island	4,322	4,250	+1.7%
Regal Kowloon Hotel	Kowloon	5,953	5,808	+2.5%
Regal Oriental Hotel	Kowloon	1,805	1,790	+0.8%
Regal Riverside Hotel	New Territories	5,146	4,920	+4.6%
		18,655	18,478	+1.0%
<i>iclub Hotels:</i>				
iclub Wan Chai Hotel	HK Island	833	800	+4.1%
iclub Sheung Wan Hotel	HK Island	1,579	1,472	+7.3%
iclub Fortress Hill Hotel	HK Island	1,560	1,503	+3.8%
iclub To Kwa Wan Hotel	Kowloon	1,361	1,300	+4.7%
Overall property portfolio		23,988	23,553	+1.8%

The valuations of the properties in the portfolio as at 31st December, 2023 were conducted by Colliers International (Hong Kong) Limited ("Colliers"), the principal valuer of Regal REIT appointed by the Trustee, for a term of three years commencing from December 2021 pursuant to the provisions of the REIT Code.

Colliers, an independent professional property valuer, assessed the market values of the properties portfolio subject to the lease agreements, hotel operations and the hotel management agreements in accordance with "The HKIS Valuation Standards (2020 Edition)", 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 market approach was also used as a check on the valuation derived from the DCF method.

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 strive to secure loan facilities for Regal REIT's portfolio under appropriate financial covenants and terms.

Loan Financing

As at 31st December, 2023, Regal REIT's loan facilities aggregating HK\$10,459.5 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\$2,900.0 million secured by Regal Kowloon Hotel; (c) a term loan facility of HK\$405.0 million secured by the iclub Wan Chai Hotel; (d) 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 carries interest based on HIBOR. As at 31st December, 2023, the 2021 IH Facilities had an outstanding amount of HK\$4,965.4 million, representing the full amount of the term loan facility and an amount of HK\$465.4 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 its loan maturity in June 2027. As at 31st December, 2023, the outstanding amount of the 2022 RKH Facility was HK\$2,900.0 million, after an installment repayment of HK\$50.0 million in June 2023, representing the full amount of the term loan.

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 throughout its term 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 31st December, 2023, the outstanding facility amount of the 2019 WC Facility remained at HK\$405.0 million.

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 maturing 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 31st December, 2023, 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 Facility”) to replace the maturing 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 31st December, 2023, 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 maturing term loan facility of HK\$621.0 million. As at 31st December, 2023, 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

During the year under review, HIBOR was on an upward trend, with the 1-month rate fluctuating within a range of around 2.121% per annum to around 5.659% per annum and staying at 5.268% per annum on 31st December, 2023¹⁰. The interest cost components in respect of all the loan facilities of Regal REIT were subject to floating HIBOR-based interest rates.

Although the interest rates in Hong Kong have slowly receded from their high levels that prevailed in late 2023, Regal REIT has entered into several interest rate swap transactions in early February 2024 to swap the interest expenses on parts of its outstanding bank loans from floating rates to fixed rates. It is anticipated this could reduce the financial expenses of Regal REIT in the near term, while at the same time hedge against any unexpected reversionary upward movements in the interest rates. The REIT Manager will continue to monitor the interest rate trends and to assess any further need to contain or hedge the exposure of the interest rate fluctuations.

Gearing and Cash

As at 31st December, 2023, the gearing ratio of Regal REIT was 42.7% (2022 - 43.1%), being the gross amount of the outstanding loans aggregating HK\$10,424.9 million, which takes into account: (a) the 2021 IH Facilities of HK\$4,965.4 million; (b) the 2022 RKH Facility of HK\$2,900.0 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\$24,392.3 million. The gearing ratio is below the maximum 50% permitted under the REIT Code.

¹⁰ Source: Bloomberg, Hong Kong Dollar HIBOR Fixings 1-Month: 2023.01.01 to 2023.12.31.

Regal REIT had a total of HK\$45.9 million in unrestricted and HK\$330.4 million in restricted cash balances and bank deposits, and unutilised revolving loan facilities of HK\$34.6 million as at 31st December, 2023. 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 31st December, 2023, all nine Regal REIT properties with an aggregate carrying value of HK\$23,988.0 million were pledged to secure its bank loan facilities.

DISTRIBUTABLE INCOME AND DISTRIBUTION POLICY

Total Distributable Income (as defined in the Trust Deed) is “the amount calculated by the REIT Manager (based on the audited financial statements of Regal REIT for that Financial Year) as representing the consolidated audited net profit after tax of Regal REIT and the Special Purpose Vehicles (as defined in the offering circular dated 19th March, 2007 issued in connection with the listing of Units) for that Financial Year, as adjusted for the Adjustments”. Adjustments are made to the distributable income to eliminate the effects of certain non-cash items and cash items which have been recorded in Regal REIT’s consolidated income statement, including “difference in accounting rental income and contractual cash rental income”, “fair value changes on investment properties”, “amounts set aside for the FF&E reserve”, “amortisation of debt establishment costs”, “depreciation” and “deferred tax charges”.

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.

Distributions for 2023

Regal REIT recorded an adjusted loss of HK\$127.6 million for 2023 (2022 - total distributable income of HK\$204.8 million), which precludes any distribution for the year. Therefore, same as with the interim period, the Board of Directors of the REIT Manager has decided not to declare any final distribution for the period from 1st July, 2023 to 31st December, 2023. As there was no interim distribution for the period from 1st January, 2023 to 30th June, 2023, there was no distribution for the 2023 year (2022 - final distribution of HK\$0.010 per Unit and total distributions for the year of HK\$0.061 per Unit).

OUTLOOK FOR 2024

As per recent research from the IMF, global growth is projected at 3.1% in 2024 and 3.2% in 2025. The projection for global growth in 2024 and 2025 is below the historical (2000–19) annual average of 3.8%, reflecting restrictive monetary policies and withdrawal of fiscal support, as well as low underlying productivity growth. Advanced economies are expecting to see growth decline slightly in 2024 before rising in 2025, with a recovery in the euro area from low growth in 2023 and a moderation of growth in the United States. Emerging market and developing economies are expected to experience stable growth through 2024 and 2025, with regional differences. Global headline inflation is expected to fall from an estimated 6.8% in 2023 (annual average) to 5.8% in 2024 and 4.4% in 2025¹¹.

The latest Policy Address proposed to maintain Hong Kong as an International Trade Centre, International Financial Centre, International Aviation Hub and Shipping Centre, together with the development in innovative technology industries¹², all of which are conducive to the few economic driving sectors. The unemployment rate is expected to maintain at a healthy level, staying below the pre-COVID level of around 3% in 2018¹³.

Looking into 2024, the challenging external environment and high interest rates will continue to impact Hong Kong's merchandise trade and investments. Business confidence is also expected to become more cautious. It is expected that the overall economic performance in the second half of 2024 will be better than the first half due to the high chance of interest rate cuts by the US Federal Reserve. With the implementation of policies to attract tourists and further enhancement of the capacity to receive visitors, the tourism industry is expected to continue its recovery. This is anticipated to drive Hong Kong's service trade to achieve a double-digit growth rate¹⁴. As per the 2024-2025 Budget, Hong Kong's economic growth is expected to reach between 2.5% to 3.5%¹⁵ which indicates that the economy will continue to recover.

¹¹ Source: Publications, International Monetary Fund, "World Economic Outlook UPDATE – Moderating Inflation and Steady Growth Open Path to Soft Landing", 30th January, 2024.

¹² Source: The Chief Executive's 2023 Policy Address, 25th October, 2023.

¹³ Source: Press Release, Census and Statistics Department, "Unemployment and underemployment statistics for October – December 2018", 17th January, 2019.

¹⁴ Source: Market Information, Bank of China (Hong Kong) Limited, "Steady Recovery amidst Challenges - 2024 Hong Kong Economic Outlook", December 2023.

¹⁵ Source: Budget Speech, The 2024-25 Budget, "Economic Outlook for 2024 and the Medium Term", 28th February, 2024.

GROWTH STRATEGY

The REIT Manager's primary strategy is to maintain and grow a strong and balanced investment portfolio of hotels and hospitality-related properties. The REIT Manager intends to achieve its objective of long-term growth in distributions and in the net asset value per Unit through a combination of two core strategies as follows:

- Internal Growth Strategy: The core growth strategy for the hotel portfolio is to maximise value for Unitholders through pro-active asset management achieving higher total revenue, RevPAR and NPI performance; and
- External Growth Strategy: The core strategy for growing the portfolio of hotels is to selectively acquire additional hotel and other properties that meet the REIT Manager's investment criteria.

In evaluating potential acquisition opportunities, the REIT Manager will focus on the following criteria:

- The expected yield enhances returns to Unitholders;
- Target the first tier international gateway cities worldwide with a focus on Hong Kong and Mainland China on markets and locations in urban centres and popular resort areas with growth potential;
- Value-adding opportunities, e.g. properties that may be undermanaged or in need of capital investment and/or which may benefit from market re-positioning and the Regal brand and/or which may be extended or have other asset enhancement opportunities;
- Majority ownership of assets acquired; and
- Targeting income and cashflow generating properties.

While Regal REIT will focus on hotels and hospitality-related properties in Greater China, its investment scope also includes serviced apartments, offices and retail and entertainment complexes and the geographical scope goes beyond Greater China. Regal REIT's investment scope allows for flexibility in its growth through acquisition of, for example, mixed-use developments containing hotels, and other investment opportunities overseas.

The targeted properties may be unfinished and require furnishing and fit-out. However, the value of unfinished properties should, under the current terms of the Trust Deed, represent less than 10% of Regal REIT's gross asset value at the time of acquisition.

Subsequent to the relaxation of the REIT Code to allow REITs to undertake property development activities and invest in certain financial instruments and the relevant amendments to the Trust Deed, Regal REIT will be able to enjoy a larger degree of flexibility in its expanded investment scope.

The REIT Manager continues to actively evaluate opportunities in target markets, while remaining committed to the set investment criteria.

Regal REIT intends to hold its properties on a long-term basis. However, if in the future any hotel property no longer fits its investment objectives or when an attractive offer, given prevailing market conditions, is received, the REIT Manager may consider disposing of the property for cash, so that its investment capital can be redeployed according to the investment strategies outlined above.

MATERIAL ACQUISITIONS OR DISPOSALS OF REAL ESTATE

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

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 year.

BUY-BACK, SALE OR REDEMPTION OF UNITS

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

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.

MAJOR REAL ESTATE AGENTS

Save for the RHIHL Lessee and/or the Hotel Manager which had been delegated to take the responsibility for the operation and management of the five Initial Hotels and the four iclub Hotels pursuant to the respective related lease agreements and the hotel management agreements, and as disclosed in this Annual Report, Regal REIT did not engage any real estate agents to conduct any services or work for the five Initial Hotels and the four iclub Hotels during the year.

MAJOR CONTRACTORS

In 2023, the aggregate value of service contracts of the top three contractors engaged by Regal REIT and their respective value of services rendered and percentages in terms of property and hotel operating expenses were as follows:

Contractors	Nature of Services	Value of Services HK\$'000	Percentage
Regal Hotels International Limited	iclub Wan Chai Hotel management fees	1,491	8.0%
Regal Hotels International Limited	Marketing fees	313	1.7%
Paliburg Estate Management Limited	Building management fees	632	3.3%
		<u>2,436</u>	<u>13.0%</u>

Save for the above three transaction areas, there were no other major contractors engaged by Regal REIT during the year.

SUSTAINABILITY REPORT

The 2023 Sustainability Report of Regal REIT will be published as a separate report in due course.

ANNUAL GENERAL MEETING

An Annual General Meeting of Regal REIT (the “2024 AGM”) will be convened on Wednesday, 22nd May, 2024. Relevant notice of the Meeting will be published and sent to the Unitholders, together with this Annual Report.

CLOSURE OF REGISTER OF UNITHOLDERS

For the purpose of ascertaining Unitholders’ entitlement to attend and vote at the 2024 AGM, the Register of Unitholders will be closed from Friday, 17th May, 2024 to Wednesday, 22nd May, 2024, both days inclusive, during which period no transfers of Units will be effected. In order to be entitled to attend and vote at the 2024 AGM, all Unit certificates with completed transfer forms must be lodged with Regal REIT’s Unit registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Thursday, 16th May, 2024.

On behalf of the Board

Regal Portfolio Management Limited

(as the REIT Manager of Regal REIT)

Johnny Chen Sing Hung and Simon Lam Man Lim

Executive Directors

Hong Kong, 27th March, 2024

DIRECTOR AND EXECUTIVE OFFICER PROFILES

DIRECTOR PROFILES

Mr. Lo Yuk Sui, aged 79, Chairman and Non-executive Director – Mr. Lo was appointed as the Chairman and Non-executive Director of the REIT Manager in 2006. He is an executive director, the chairman and chief executive officer of Regal Hotels International Holdings Limited (“RHIHL”) of which Regal REIT is a listed subsidiary. He has held the position as the chairman and managing director of RHIHL since 1989 when RHIHL was established in Bermuda as the holding company for the RHIHL group and was designated as chief executive officer in 2007. He has been the managing director and chairman of the predecessor listed company of the RHIHL group since 1984 and 1987, respectively. He is also an executive director, the chairman and chief executive officer of Century City International Holdings Limited (“CCIHL”) and Paliburg Holdings Limited (“PHL”), of which Regal REIT is a listed subsidiary, and Cosmopolitan International Holdings Limited (“Cosmopolitan”), of which Regal REIT is a listed fellow subsidiary. Mr. Lo oversees the overall policy and decision making of the CCIHL group. He is a qualified architect. Mr. Lo is the father of Miss Lo Po Man and Mr. Jimmy Lo Chun To.

Miss Lo Po Man, aged 44, Vice Chairman and Non-executive Director – Miss Lo was appointed as a Non-executive Director of the REIT Manager in 2012 and elected as the Vice Chairman of the REIT Manager in 2013. She graduated from Duke University, North Carolina, U.S.A. with a Bachelor’s Degree in Psychology. She is currently an executive director and a vice chairman of CCIHL and Cosmopolitan, an executive director of PHL, and an executive director, a vice chairman and the managing director of RHIHL. Miss Lo oversees the sales and marketing functions of the RHIHL group and also undertakes responsibilities in the business development of the CCIHL group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Johnny Chen Sing Hung, aged 56, Executive Director and Responsible Officer – Mr. Chen joined the REIT Manager as the Director – Asset Management and was appointed as an Executive Director in 2014. Mr. Chen is responsible for, among other things, overseeing and managing the asset management activities of Regal REIT and, jointly with Mr. Simon Lam Man Lim, for making disclosures and communications of Regal REIT to investors. Mr. Chen holds a Master of Business Administration degree, a Bachelor of Administrative Studies degree and a Bachelor of Arts degree (major in mathematics for commerce). He is a Fellow member of the Hong Kong Institute of Directors, a former member of the Chinese People’s Political Consultative Conference, Yuexiu District, Guangzhou City, China, and a Fellow member of Hong Kong Securities and Investment Institute. Mr. Chen has over 30 years of business development, trading, property investment, development and management experience. Prior to joining the REIT Manager, Mr. Chen was the Vice President - Business Development of Century City Holdings Limited, a subsidiary of CCIHL, from May 2013 to July 2014. Prior to that, he held various management and controller positions in different major Hong Kong companies and multinational corporations, including Silver Base Group Holdings Limited, Faithful Trading (H.K.) Ltd, Gome Home Appliances (HK) Limited and Chevalier Group.

Mr. Lam Man Lim (Alias: Simon), aged 67, Executive Director and Responsible Officer – Mr. Lam joined the REIT Manager as the Director of Finance and Investment and Investor Relations in 2010. He was appointed as an Executive Director in 2011. Mr. Lam is responsible for, among other things, overseeing and managing the finance, accounting and investment activities of Regal REIT. He is also responsible, jointly with Mr. Johnny Chen Sing Hung, for making the disclosures and communications of Regal REIT to investors. Mr. Lam holds a Master of Business Administration degree and is a Fellow member of The Hong Kong Institute of Certified Public Accountants, a Fellow member of The Hong Kong Institute of Directors and an associate member of The Chartered Institute of Management Accountants. Mr. Lam has over 40 years of finance and commercial experience in various business sectors and industries. Prior to joining the REIT Manager, he was an executive director and chief financial officer of Binhai Investment Company Limited, a listed company on the HK Stock Exchange. Prior to that, he held executive financial and investment management positions in Hong Kong listed companies and multinational corporations, including Link Asset Management Limited (the REIT manager of Link REIT), Johnson Electric, Motorola Asia Pacific Limited and Philips Electronics Group.

Mr. John William Crawford, JP, aged 81, Independent Non-executive Director – Mr. Crawford was appointed as an Independent Non-executive Director of the REIT Manager in 2006. He was one of the founders of Ernst & Young, Hong Kong office, and was vice-chairman of the firm when he retired at the end of 1997. During his 25 years in public practice, he was also the chairman of the audit division of Ernst & Young and was active in a number of large private and public company takeover and/or restructuring exercises. He has continued to undertake consultancy/advisory work in a private capacity since retirement, is active in the education sector and is the chairman of International Quality Education Limited. He also remains active in various community service areas such as having been a founding member of UNICEF Hong Kong Committee and the Hong Kong Institute of Directors. In 1997, he was appointed as a Justice of the Peace in Hong Kong. He currently acts as an independent non-executive director and the chairman of the audit committee for Melco International Development Limited, which is listed on the HK Stock Exchange. He also currently acts as an independent non-executive director and the chairman of the audit and risk committee for Melco Resorts & Entertainment Limited, which is listed on the NASDAQ.

Mr. Bowen Joseph Leung Po Wing, GBS, JP, aged 74, Independent Non-executive Director – Mr. Leung was appointed as an Independent Non-executive Director of the REIT Manager in 2016. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing (“Beijing Office”) in November 2005. He joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is an independent non-executive director and a member of the Audit Committee for PHL and Quali-Smart Holdings Limited, both are listed on the HK Stock Exchange.

Mr. Lo Chun To (Alias: Jimmy), aged 50, Non-executive Director – Mr. Lo was appointed as a Non-executive Director of the REIT Manager in 2006. He is an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director, a vice chairman and the managing director of Cosmopolitan and an executive director of RHIHL. He graduated from Cornell University, New York, U.S.A. with a Bachelor of Architecture degree. He is primarily involved in overseeing the Cosmopolitan group's property projects in the People's Republic of China and, in addition, undertakes responsibilities in the business development of the CCIHL group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Mr. Ng Kwai Kai (Alias: Kenneth), aged 69, Non-executive Director – Mr. Ng was appointed as a Non-executive Director of the REIT Manager in 2012. He is a Chartered Secretary. He is currently an executive director and the chief operating officer of CCIHL and an executive director of PHL, RHIHL and Cosmopolitan. Mr. Ng is in charge of the corporate finance, company secretarial and administrative functions of CCIHL group.

Mr. Kai Ole Ringenson, aged 74, Independent Non-executive Director – Mr. Ringenson was redesignated as an Independent Non-executive Director of the REIT Manager in 2012. He was the Chief Executive Officer and Executive Director of the REIT Manager in 2006 and a Responsible Officer of the REIT Manager in 2007 until he became a Non-executive Director in March 2010. He has extensive experience in international hotel management and asset management. He has managed hotels in Asia, Europe and the United States and has managed numerous hotel turn-around situations. He obtained a Bachelor of Science (Hotel) degree from Cornell University, New York, U.S.A.. He joined the RHIHL group in 2001 and was an executive director of RHIHL and the chief operating officer of Regal Hotels International Limited, a wholly-owned subsidiary of RHIHL, from 2002 until he became a non-executive director of RHIHL in 2004. He resigned as a non-executive director of RHIHL in 2006 to become the sole Executive Director and Chief Executive Officer of the REIT Manager in 2006.

Mr. Abraham Shek Lai Him (Alias: Abraham Razack), GBS, JP, aged 78, Independent Non-executive Director – Mr. Shek was appointed as an Independent Non-executive Director of the REIT Manager in 2006. He holds a Bachelor of Arts degree from the University of Sydney and a Juris Doctor degree from City University of Hong Kong. He is an Honorary Member of the Court of The Hong Kong University of Science and Technology, a member of both of the Court and the Council of The University of Hong Kong, a member of the Court of City University of Hong Kong and a court member of Hong Kong Metropolitan University. Mr. Shek is the honorary chairman, an independent non-executive director and the chairman of Audit Committee of Chuang's China Investments Limited, the joint vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and the chairman of the audit committee of Chuang's Consortium International Limited, an independent non-executive director and a member of the audit committee of China Resources Building Materials Technology Holdings Limited (formerly known as China Resources Cement Holdings Limited), Cosmopolitan, CSI Properties Limited, Everbright Grand China Assets Limited, Far East Consortium International Limited, Hao Tian International Construction Investment Group Limited, NWS Holdings Limited, PHL and Shin Hwa World Limited (formerly known as Landing International Development Limited), all of which are companies listed on the HK Stock Exchange. He also acts as an independent non-executive director of Alliance International Education Leasing Holdings Limited (formerly known as International Alliance Financial Leasing Co., Ltd.) and Lai Fung Holdings Limited, which are companies listed on the HK Stock Exchange. He is an independent non-executive director and the chairman of the audit committee of Eagle Asset Management (CP) Limited which is the manager of Champion Real Estate Investment Trust, the units of which are listed on the HK Stock Exchange.

EXECUTIVE OFFICER PROFILES

Ms. Peony Choi Ka Ka, Senior Executive Manager, Company Secretary and Responsible Officer – Ms. Choi joined the REIT Manager in 2006 as the Compliance Manager and Company Secretary and is further appointed as Senior Executive Manager and Responsible Officer in 2022. Ms. Choi is responsible for, among other things, overseeing and managing the compliance and company secretarial functions of Regal REIT and, jointly with Mr. Johnny Chen Sing Hung and Mr. Simon Lam Man Lim, for overseeing the asset management of property portfolio and participating the investment management activities of Regal REIT. Ms. Choi holds a Bachelor of Laws degree and a Master of Arts degree in Professional Accounting and Information Systems. Ms. Choi is also an associate member of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. Ms. Choi has over 20 years of industry experience in compliance, corporate governance and company secretarial matters as well as asset management of Regal REIT.

Ms. Charlotte Cheung Wing Shan, Internal Auditor – Ms. Cheung is responsible for, among other things, reviewing the accuracy and completeness of records of the operations and transactions of Regal REIT and ensuring that the risk management and internal control systems function properly and effectively. She holds a Bachelor of Business Administration degree majoring in Professional Accountancy and a Master of Laws degree. She is an associate member of the Hong Kong Institute of Certified Public Accountants. Before joining the REIT Manager, she worked in an international audit firm where she provided audit services to local and multinational companies in a variety of industries and including listed companies. She is familiar with internal audit matters and internal control systems for companies in various business sectors.

Regal REIT is committed to maintaining the highest level of corporate governance practices and procedures. The REIT Manager has adopted a compliance manual for use in relation to the management and operation of Regal REIT (the “Compliance Manual”) which sets out the key processes, systems, and policies and procedures to guide operations and, thereby, set a high standard of corporate governance to ensure relevant regulations and legislation are adhered to. Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the REIT Manager and Regal REIT.

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 year 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.

ROLES OF THE TRUSTEE AND THE REIT MANAGER

The Trustee is responsible under the Trust Deed for the safe custody of the assets of Regal REIT for the benefit of the Unitholders as a whole and oversees the activities of the REIT Manager for compliance with the Trust Deed and regulatory requirements.

The REIT Manager was appointed under the Trust Deed to manage Regal REIT and, in particular, to ensure that the financial and economic aspects of Regal REIT’s assets are professionally managed in the sole interests of the Unitholders.

The Trustee and the REIT Manager are functionally independent of each other.

Under the regulatory regime of the SFC by classifying eight core functions, each of the core functions has been assigned to designated management personnel as Managers-in-charge (MIC) as set out below.

Core functions	MICs
1. Overall Management Oversight	<ul style="list-style-type: none"> • Executive Director – Finance • Executive Director – Asset Management
2. Key Business Line	<ul style="list-style-type: none"> • Executive Director – Finance • Executive Director – Asset Management • Senior Executive Manager
3. Operational Control and Review	<ul style="list-style-type: none"> • Executive Director – Finance • Executive Director – Asset Management • Internal Auditor
4. Risk Management	<ul style="list-style-type: none"> • Internal Auditor
5. Finance and Accounting	<ul style="list-style-type: none"> • Executive Director – Finance • Accounting Manager
6. Information Technology	<ul style="list-style-type: none"> • Executive Director – Finance
7. Compliance	<ul style="list-style-type: none"> • Senior Executive Manager
8. Anti-Money Laundering and Counter-Terrorist Financing	<ul style="list-style-type: none"> • Executive Director – Finance • Executive Director – Asset Management

BOARD OF DIRECTORS OF THE REIT MANAGER

Functions of the Board

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 is also responsible for ensuring that the REIT Manager discharges its duties under the Trust Deed which includes but not limited to managing Regal REIT in accordance with the Trust Deed in the best interests of the Unitholders; ensuring sufficient oversight of the daily operations and financial conditions of Regal REIT; and monitoring the REIT Manager and Regal REIT are in compliance with the licensing and authorisation conditions and any other legal and regulatory requirements.

All material policies and decisions remain within the authority of the Board as a whole. Subject to the matters specifically reserved to the Board as set out in the Compliance Manual, the Board delegates certain management and supervisory functions to the management team and relevant committees of the Board.

Board Composition and Board Diversity

With the objective of creating a Board structure that is both effective and balanced, the size of the Board was set to provide for a minimum of five directors and a maximum of twenty directors. Pursuant to a specific REIT Manager corporate governance policy, independent non-executive directors must be individuals who fulfill the independence criteria as set out in the Compliance Manual.

The composition of the Board is determined using the following key principles:

- the Chairman of the Board must be a Non-executive Director of the REIT Manager;
- at least one-third of the Board should be Independent Non-executive Directors with a minimum of three Independent Non-executive Directors; and
- the Board must comprise Directors with a broad range of commercial experience including expertise in hotel investment and management, in fund and asset management and/or in the property industry.

The nomination committee of the REIT Manager (the “Nomination Committee”) is responsible for the review of the composition of the Board regularly to ensure that the Board has the appropriate mix of expertise and experience, and that the Directors being appointed have the relevant expertise and experience in discharging their duties. A Board Diversity Policy has been adopted to set out the policy for designing the composition of the Board, aiming to achieve diversity with balanced skills and expertise. In reviewing the composition and diversity of the Board, the Nomination Committee and the Board has to be satisfied that different aspects of diversity as set out in the Board Diversity Policy, including but not limited to age, gender, ethnicity, cultural and educational background, professional acumen, industry experience as well as knowledge of Regal REIT’s businesses and operations, has been achieved during the year.

The Board presently comprises two Executive Directors, four Non-executive Directors and four Independent Non-executive Directors. The positions of Chairman and Executive Directors are held by different persons in order to maintain an effective segregation of duties.

The Board currently comprises the following members:

Chairman and Non-executive Director

Lo Yuk Sui

Vice Chairman and Non-executive Director

Lo Po Man

Executive Directors

Johnny Chen Sing Hung

Simon Lam Man Lim

Non-executive Directors

Jimmy Lo Chun To

Kenneth Ng Kwai Kai

Independent Non-executive Directors

John William Crawford, JP

Bowen Joseph Leung Po Wing, GBS, JP

Kai Ole Ringenson

Abraham Shek Lai Him, GBS, JP

The following table shows the diversity profile of the Board as at 31st December, 2023:

		No. of Directors
Gender:	Male	9
	Female	1
Age Group:	41-50	2
	51-60	1
	61-70	2
	71-80	4
	>80	1
Length of Service (years):	1-10	4
	11-15	1
	>15	5

Collective Industrial Experience and Professional Knowledge of Directors:

- Hotel and property development and management
- Corporate management
- Architectural
- Financial and audit
- Environmental, social and governance
- Public administrative services
- Legal and compliance

The Board currently has one female Director out of ten Directors and is committed to improving gender diversity as and when suitable candidates are identified.

In striving to maintain gender diversity, similar considerations are used when selecting and recruiting key management and other personnel in the employ of the REIT Manager. As at 31st December, 2023, the REIT Manager maintained a 7:3 ratio of female to male in the workplace (including senior management).

The biographical details of the Directors, including the relationship among them, are disclosed in the preceding section "Director and Executive Officer Profiles" contained in this Annual Report.

Appointment and Removal of Directors

The appointment and removal of Directors is a matter for the Board and the shareholder of the REIT Manager to determine in accordance with the provisions of the Compliance Manual and the Articles of Association of the REIT Manager. All Directors (including Non-executive Directors and Independent Non-executive Directors) of the REIT Manager were not appointed for specific terms but, in accordance with the Compliance Manual, the maximum term of an Independent Non-executive Director is nine years. If an Independent Non-executive Director has served on the Board for more than nine years, his/her further appointment will be subject to a separate resolution to be approved by Unitholders.

Directors may be nominated for appointment and/or removal by the Board following recommendations made by the Nomination Committee. In considering persons for appointment as Directors, the Board will consider a number of matters as set out in the Compliance Manual in assessing whether such persons are fit and proper to be Directors.

Directors' Time Commitments

During the year ended 31st December, 2023, each of the Directors has spent sufficient time and attention to the affairs of Regal REIT.

Directors' Interests in Transactions, Arrangements or Contracts

Save as otherwise disclosed, there were no transactions, arrangements or contracts of significance subsisting during or at the end of the reporting period in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly.

None of the Directors had a service contract, which is not determinable within one year without payment of compensation (other than statutory compensation), with Regal REIT or any of its subsidiaries during the year.

Conflicts of Interest

The REIT Manager has instituted the following policies to deal with issues of conflict of interest:

- (i) The REIT Manager is a dedicated manager to Regal REIT and will not manage any other real estate investment trusts or be involved in any other real property businesses.
- (ii) All of the Executive Officers will be employed by the REIT Manager on a full time basis and will not maintain any other roles apart from their roles within the REIT Manager.
- (iii) All connected party transactions are to be managed in accordance with the provisions set out in the Compliance Manual.
- (iv) Where any Director or executive officer has a material interest in any transaction relating to Regal REIT or the REIT Manager which gives rise to an actual or potential conflict of interest in relation to such transaction, he or she shall not advise on or deal in relation to such transaction unless he or she has disclosed such material interest or conflict to the Board and has taken all reasonable steps to ensure fair treatment of both the REIT Manager and Unitholders.

Permitted Indemnity Provision

A permitted indemnity provision for the benefits of the Directors of the REIT Manager is currently in force and was in force throughout the year. During the year under review, appropriate investment management insurance has been taken out and maintained for providing appropriate cover for the Directors and officers of the REIT Manager.

Independence of Independent Non-executive Directors

The REIT Manager has received from each of the four Independent Non-executive Directors of the REIT Manager an annual confirmation of independence pursuant to the "Criteria for Independence of INEDs" as set out in the Compliance Manual, on terms no less exacting than those set out in the Listing Rules, for assessing the independence of a Non-executive Director. The REIT Manager considered that all these Independent Non-executive Directors are independent.

Mechanisms for Ensuring Independent Views and Input

During the year, the following mechanisms were in place and remain effective in ensuring independent views and input were available to the Board:

- (i) A sufficient number of four Independent Non-executive Directors (representing more than one-third of the Board) having extensive experience and in-depth knowledge continuing to provide independent views and input to the Board on the business affairs of Regal REIT.
- (ii) The Nomination Committee assesses the independence of each Independent Non-executive Directors on an annual basis and the reappointment of any long-serving Independent Non-executive Director is subject to the approval of the Unitholders at the annual general meeting by way of ordinary resolution.
- (iii) Policy and procedures are in place to avoid any potential conflict of interests. Any Director who has a material interest in any transaction relating to Regal REIT or the REIT Manager shall abstain from voting on any Board resolution approving the same.
- (iv) The Chairman meets the Independent Non-executive Directors without presence of other Directors to provide an effective platform for the Independent Non-executive Directors to express independent views to the Chairman on various issues concerning Regal REIT.
- (v) The Board and its committees are entitled to seek independent professional advice on issues relevant to Regal REIT from external professional consultants and advisors as deemed necessary.

Change of Information of Directors

Subsequent to publication of the 2023 interim report of Regal REIT, the REIT Manager was informed of the following changes of Directors' information:

Name of Director	Details of changes
Mr. Abraham Shek Lai Him, GBS, JP	<ul style="list-style-type: none">– Resigned as the chairman and an executive director of Goldin Financial Holdings Limited (In liquidation), a company was ordered to be wound up by the Supreme Court of Bermuda under the provisions of the Bermuda Companies Act 1981 on 11th August, 2023 and delisted on the HK Stock Exchange, with effect from 31st October, 2023.– Appointed as a court member of Hong Kong Metropolitan University with effect from 8th December, 2023.– Resigned as an independent non-executive director of Country Garden Holdings Company Limited, a company listed on the HK Stock Exchange, with effect from 15th March, 2024.

Continuous Professional Development of Directors

During the year under review, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In 2023, the REIT Manager arranged for the distribution of reading materials covering topics on Paperless Regime for Listed Companies and Other Listing Rules Updates to Directors. The training received by the Directors during the year under review is summarised below:

Names of Directors	Types of training
<i>Chairman and Non-executive Director</i> Lo Yuk Sui	B
<i>Vice Chairman and Non-executive Director</i> Lo Po Man	A,B
<i>Executive Directors</i> Johnny Chen Sing Hung Simon Lam Man Lim	A,B A,B
<i>Non-executive Directors</i> Jimmy Lo Chun To Kenneth Ng Kwai Kai	B A,B
<i>Independent Non-executive Directors</i> John William Crawford, JP Bowen Joseph Leung Po Wing, GBS, JP Kai Ole Ringenson Abraham Shek Lai Him, GBS, JP	A,B B A,B A,B

A – Attending briefings/seminars/conferences/forums

B – Reading/studying training or other materials

Meetings

The Board conducts regular meetings and generally meets no less than four times in each financial year, at approximate quarterly intervals, to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to the members of the Board in a timely manner in order to enable them to discharge their duties.

Four full Board meetings of the REIT Manager and one general meeting of the Unitholders were held during the year ended 31st December, 2023 and the attendance rates of individual Board members were as follows:

Names of Directors	Attendance/ No. of General Meeting	Attendance/ No. of Board Meetings
<i>Chairman and Non-executive Director</i>		
Lo Yuk Sui	1/1	4/4
<i>Vice Chairman and Non-executive Director</i>		
Lo Po Man	1/1	4/4
<i>Executive Directors</i>		
Johnny Chen Sing Hung	1/1	4/4
Simon Lam Man Lim	1/1	4/4
<i>Non-executive Directors</i>		
Jimmy Lo Chun To	1/1	4/4
Kenneth Ng Kwai Kai	1/1	4/4
<i>Independent Non-executive Directors</i>		
John William Crawford, JP	1/1	2/4
Bowen Joseph Leung Po Wing, GBS, JP	1/1	4/4
Kai Ole Ringenson	1/1	4/4
Abraham Shek Lai Him, GBS, JP	1/1	4/4

AUDIT COMMITTEE

The audit committee of the REIT Manager (the "Audit Committee") was established with specific terms of reference that deal with its authority and duties.

The Audit Committee currently comprises the following Directors:

Independent Non-executive Directors

John William Crawford, JP (Chairman of the Committee)

Bowen Joseph Leung Po Wing, GBS, JP

Kai Ole Ringenson

Abraham Shek Lai Him, GBS, JP

Non-executive Director

Kenneth Ng Kwai Kai

The Audit Committee is responsible for, among other matters, (a) reviewing the completeness, accuracy, clarity and fairness of Regal REIT's financial statements; (b) considering the scope, approach and nature of both internal and external audit reviews; (c) the overall adequacy of risk management and internal control measures; (d) reviewing and monitoring connected party transactions; and (e) nominating the external auditor including the approval of the remuneration, reviewing the adequacy of external audits and guiding management to take appropriate actions to remedy faults or deficiencies in any issues of internal control which may be identified.

In addition to informal or ad hoc meetings and discussions, three formal Audit Committee meetings of the REIT Manager were held during the year ended 31st December, 2023 to consider and review, among other things, the 2022 final results, the 2023 interim results, internal audit reports, connected party transactions, risk management, annual budgets and forecasts and other compliance matters of Regal REIT. The attendance rates of the individual members were as follows:

Names of Audit Committee Members	Attendance/ No. of Meetings
John William Crawford, JP (Chairman of the Committee)	2/3
Bowen Joseph Leung Po Wing, GBS, JP	3/3
Kai Ole Ringenson	3/3
Abraham Shek Lai Him, GBS, JP	3/3
Kenneth Ng Kwai Kai	3/3

DISCLOSURE COMMITTEE

The disclosure committee of the REIT Manager (the “Disclosure Committee”) is responsible for, among other matters, reviewing all areas relating to the regular, urgent and forward looking disclosures of information to Unitholders and public announcements.

The Disclosure Committee currently comprises the following Directors:

Independent Non-executive Directors

John William Crawford, JP (Chairman of the Committee)

Kai Ole Ringenson

Executive Directors

Johnny Chen Sing Hung

Simon Lam Man Lim

Non-executive Directors

Kenneth Ng Kwai Kai

Two formal Disclosure Committee meetings of the REIT Manager were held during the year ended 31st December, 2023 to consider and review, among other things, the 2022 final results announcement, the 2022 annual report, the 2023 interim results announcement, the 2023 interim report and other corporate disclosure issues of Regal REIT. The attendance rates of the individual members were as follows:

Names of Disclosure Committee Members	Attendance/ No. of Meetings
John William Crawford, JP (Chairman of the Committee)	1/2
Johnny Chen Sing Hung	2/2
Simon Lam Man Lim	2/2
Kenneth Ng Kwai Kai	2/2
Kai Ole Ringenson	2/2

NOMINATION COMMITTEE

The Nomination Committee of the REIT Manager was established with specific terms of reference that deal with its authority and duties. The Nomination Committee is responsible for, among other matters, (a) the making of recommendations to the Board on relevant matters relating to the appointment and reappointment of Directors and succession planning for Directors; (b) the assessment of the independence of the Independent Non-executive Directors; (c) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the strategy of Regal REIT's corporate strategy; (d) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and (e) monitoring the implementation and reviewing the Board Diversity Policy of the REIT Manager.

The Nomination Committee currently comprises the following Directors:

Non-Executive Directors

Lo Yuk Sui (Chairman of the Committee)

Kenneth Ng Kwai Kai

Independent Non-executive Directors

John William Crawford, JP

Bowen Joseph Leung Po Wing, GBS, JP

Kai Ole Ringenson

Abraham Shek Lai Him, GBS, JP

One formal Nomination Committee meeting of the REIT Manager was held during the year ended 31st December, 2023 to review, among other things, the composition and diversity of the Board and the Board Diversity Policy. The attendance rates of the individual members were as follows:

Names of Nomination Committee	Attendance/ No. of Meeting
Lo Yuk Sui (Chairman of the Committee)	1/1
Kenneth Ng Kwai Kai	1/1
John William Crawford, JP	1/1
Bowen Joseph Leung Po Wing, GBS, JP	1/1
Kai Ole Ringenson	1/1
Abraham Shek Lai Him, GBS, JP	1/1

AUDITOR'S REMUNERATION

The remuneration to Messrs. Ernst & Young, the external auditor of Regal REIT, in respect of the audit and non-audit services rendered for the year ended 31st December, 2023 were HK\$1.4 million (2022 - HK\$1.9 million) and HK\$0.5 million (2022 - HK\$0.7 million), respectively. The non-audit services included the interim review of the financial statements of Regal REIT for the six months ended 30th June, 2023, report of factual findings on connected party transactions, and compliance and other services to Regal REIT.

OTHER DISCLOSURE ON REMUNERATION

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 and, therefore, no remuneration of Directors and staff of the REIT Manager is paid by Regal REIT. All remuneration payable to the Directors and staff of the REIT Manager is paid and borne by the REIT Manager out of its own resources.

Both the REIT Manager fees and the Trustee fees are paid by Regal REIT in accordance with the terms of the Trust Deed.

REPORTING AND TRANSPARENCY

Regal REIT prepares its financial statements in accordance with generally accepted accounting principles in Hong Kong and has a financial year ending 31st December with a financial half year period ending 30th June. In accordance with the REIT Code, the annual report and financial statements of Regal REIT are to be published and despatched to Unitholders no later than four months following each financial year end and the interim report no later than three months following each financial half year period end.

As required by the REIT Code, the REIT Manager ensures all public announcements of material information and developments with respect to Regal REIT are made on a timely basis in order to keep Unitholders apprised of the position of Regal REIT.

UNITHOLDERS COMMUNICATION POLICY

The REIT Manager adopted the Unitholders Communication Policy to promote effective and comprehensive communications with Unitholders and the investment community with the aim of ensuring ready, equal and timely access to balanced and understandable information about Regal REIT. The Unitholders Communication Policy is reviewed on an annual basis to ensure its implementation and effectiveness.

During the year under review, Regal REIT's website was updated on a regular basis to maintain effective ongoing communications with Unitholders which enable Unitholders to access the latest Regal REIT information and Unitholders were also provided with opportunities to communicate with the Directors directly at the annual general meeting. Enquires from Unitholders and the investment community were responded to within specific timeframes and the Board is of the view that the Unitholders Communication Policy is effective.

UNITHOLDERS' RIGHTS

Regal REIT will hold a general meeting each year as its annual general meeting in addition to any other meetings deemed necessary during the year. The Trustee or the REIT Manager may (and the REIT Manager will at the request in writing of not less than two Unitholders registered as together holding not less than 10% of the Units for the time being in issue and outstanding) at any time convene a meeting of the Unitholders. Such written requisition must state the purposes of the meeting, and be signed by the requisitioner(s) and deposited at the office of the REIT Manager at Unit No. 2001, 20th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong (for the attention of the Executive Directors). Notices convening an annual general meeting and other general meetings of Unitholders will be given to the Unitholders in accordance with the requirements of the Trust Deed, the REIT Code and the applicable Listing Rules, and such notices will specify the time and place of the meetings and the resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding together not less than 10% of the Units for the time being in issue and outstanding will form a quorum for the transaction of all business, except for the purpose of passing special resolutions. The quorum for passing a special resolution will be two or more Unitholders present in person or by proxy registered as holding together not less than 25% of the Units for the time being in issue and outstanding. At any meeting of the Unitholders, a resolution put to the meeting shall be decided on a poll.

In addition, Unitholders may also send written enquiries to the REIT Manager for putting forward any enquiries or proposals about Regal REIT to the Board at the abovementioned REIT Manager's office (for the attention of the Executive Directors).

MATTERS TO BE DECIDED BY THE UNITHOLDERS BY SPECIAL RESOLUTION

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of special resolution. Such matters include, among other things:

- (a) any change in the REIT Manager's investment policies/strategies for Regal REIT;
- (b) disposal of any real estate investment of Regal REIT or shares in any special purpose vehicles holding such real estate investment within two years of acquisition;
- (c) any increase in the rate of the REIT Manager fees above the permitted limit or any change in the structure of the REIT Manager fees;
- (d) any increase in the rate of the Trustee fees above the permitted limit or any change in the structure of the Trustee fees;
- (e) any increase in the rate of the acquisition fees above the permitted limit or any change in the structure of the acquisition fees;
- (f) any increase in the rate of the divestment fees above the permitted limit or any change in the structure of the divestment fees;
- (g) certain modifications of the Trust Deed;
- (h) termination of Regal REIT;
- (i) merger of Regal REIT;
- (j) removal of Regal REIT's external auditor; and
- (k) removal of the Trustee.

As stated above, the quorum for passing a special resolution is two or more Unitholders present in person or by proxy registered as holding together not less than 25% of the Units in issue and outstanding. A special resolution may only be passed by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting and the votes shall be taken by way of poll.

ISSUE OF FURTHER UNITS POST-LISTING

To minimise the possible material dilution of holdings of Unitholders, any further issues of Units need to comply with the pre-emption provisions contained in the REIT Code and the Trust Deed. Any further issues of Units must be first offered on a pro rata pre-emptive basis to all existing Unitholders except that Units may be issued, or agreed (conditionally or unconditionally) to be issued, in any financial year (whether directly or pursuant to any Convertible Instruments (as defined in the Trust Deed)), otherwise than on a pro rata basis to all existing Unitholders and without the approval of Unitholders subject to conditions as more particularly set out in the Trust Deed.

Any issue, grant or offer of Units or Convertible Instruments to a connected person of Regal REIT (the "Connected Person") will require specific prior approval of Unitholders by way of an Ordinary Resolution (as defined in the Trust Deed), unless such issue, grant or offer is made under the following circumstances (where, for the avoidance of doubt, no Unitholders' approval will be required):

- (i) the Connected Person receives a pro rata entitlement to Units and/or Convertible Instruments in its capacity as a Unitholder; or
- (ii) Units are issued to a Connected Person under Clauses 14.1.1 and/or 14.1.2 of the Trust Deed in or towards the satisfaction of the REIT Manager fees; or
- (iii) Units and/or Convertible Instruments are issued to a Connected Person within 14 days after such Connected Person has executed an agreement to reduce its holding in the same class of Units and/or Convertible Instruments by placing such Units and/or Convertible Instruments to or with any person(s) who is/are not its associate(s), provided always that (a) the new Units and/or Convertible Instruments must be issued at a price not less than the placing price (which may be adjusted for the expenses of the placing); and (b) the number of Units and/or Convertible Instruments issued to the Connected Person must not exceed the number of Units and/or Convertible Instruments placed by it; or
- (iv) the Connected Person is acting as underwriter or sub-underwriter of an issue or offer of Units or other securities by or on behalf of Regal REIT or any Special Purpose Vehicle (as defined in the Trust Deed), provided that:
 - (a) the issue or offer is made under and in accordance with Clause 5.1.6 of the Trust Deed; and
 - (b) the issue or offer is in compliance with any applicable provisions of the Listing Rules where a Connected Person is acting as an underwriter or sub-underwriter of an offer of shares or other securities by a listed company, with necessary changes being made, as if the provisions therein are applicable to real estate investment trusts; or
- (v) the excess application and the taking up of pro rata entitlements by the Connected Person in respect of a pro rata issue of Units and/or Convertible Instruments under Clause 5.1.6 of the Trust Deed or an open offer by Regal REIT on a pro rata basis; or
- (vi) Units are issued to a Connected Person pursuant to a reinvestment of a distribution in accordance with Clause 11.10 of the Trust Deed.

During the year, no new Units was allotted and issued.

CODE GOVERNING DEALINGS IN UNITS BY DIRECTORS, THE REIT MANAGER OR SIGNIFICANT UNITHOLDERS

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.

Pursuant to the Units Dealings Code, any Directors or the REIT Manager who wish to deal in the securities of Regal REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if the SFO applies to the securities of Regal REIT. In addition, a Director or the REIT Manager must not make any disclosures of confidential information or make any use of such information for the advantage of himself/itself or others.

Directors or the REIT Manager who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are designated transactions or connected party transactions under the REIT Code or notifiable transactions or connected transactions under the Listing Rules or any inside information must refrain from dealing in the Units as soon as they become aware of or privy to such information until proper disclosure thereof in accordance with the REIT Code and any applicable Listing Rules. Directors and the REIT Manager who are privy to relevant negotiations or agreements or any inside information should caution those Directors or the REIT Manager who are not so privy that there may be unpublished inside information and that they must not deal in Regal REIT’s securities for a similar period.

The REIT Manager has also adopted procedures for the monitoring of disclosures of interests by Directors and the REIT Manager. The relevant provisions of Part XV of the SFO shall be deemed to apply to the REIT Manager and the Directors of the REIT Manager and each Unitholder and all persons claiming through or thereunder.

Under the Trust Deed and by virtue of the deemed application of Part XV of the SFO, Unitholders with a holding of 5% or more of the Units will be required to notify the HK Stock Exchange, the REIT Manager and the Trustee of their holdings in Regal REIT. The REIT Manager shall keep a register for these purposes and it shall record in the register, against a person’s name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection at all times by the Trustee and any Unitholder.

Following specific enquiries, the Directors 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 year ended 31st December, 2023.

RISK MANAGEMENT AND INTERNAL CONTROL

The REIT Manager has an internal audit function and procedures in place to provide independent assessments of the risk management and internal control systems and operational functions so as to identify, evaluate and manage significant risks, and review their adequacy and effectiveness on an ongoing basis. Such systems were designed to manage rather than to eliminate the risk of failure in achieving business objectives, and to provide reasonable and not absolute assurance against material misstatements or losses. The Internal Auditor of the REIT Manager prepares annual audit plans and conducts audit reviews focused on financial, operational and compliance controls of Regal REIT.

The Board acknowledges its responsibility for overseeing Regal REIT's risk management (including Environmental, Social and Governance risks) and internal control systems and compliance procedures and for reviewing the effectiveness of such systems. During the year, through the design, implementation and on-going reviews of the systems and updates by the internal auditor and related senior executives, the Audit Committee and the Board fulfilled its corporate governance role in financial, operational and compliance controls of Regal REIT in identifying any significant management and operational risks, control failings or weaknesses, and any control improvements in order to respond to changes in the business and external environment. The Board, through the Audit Committee, conducts annual reviews on the effectiveness of the risk management and internal control systems. Based on the audit plans, regular management reports and internal audit reviews, the Board ensures effective implementation of the risk management and internal control systems and compliance procedures to mitigate any damage arising from identified risks and control weaknesses. Management confirmed to the Audit Committee and the Board that the risk management and internal control systems were adequate and effective and no material deficiencies were noted during the year.

The Board, through the Audit Committee and the Disclosure Committee, has established policies and meets periodically, to ensure that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations.

WHISTLEBLOWING AND ANTI-CORRUPTION POLICIES

The REIT Manager has adopted a Whistleblowing Policy to ensure that proper arrangements are put in place for employees and those who deal with the REIT Manager, Regal REIT and its subsidiaries to report any concerns, including suspected improprieties, misconducts or malpractices within the Group. The aim of the Whistleblowing Policy is to provide reporting channels and guidance on reporting possible improprieties in matters of financial reporting, internal control or other matters, and reassurance to whistleblowers of the protection that the Group will extend to them against unfair dismissal or victimisation for any genuine reports made under this Whistleblowing Policy.

Furthermore, the REIT Manager regards honesty, business integrity and fair play as core values of Regal REIT that must be upheld by all Directors and employees of the REIT Manager at all times. The REIT Manager has also adopted an Anti-corruption Policy which sets out the minimum standards of conducts and strictly prohibiting all Directors and employees of the REIT Manager from soliciting, accepting or offering any bribe in the course of business of the Group. All Directors and employees of the REIT Manager are required to comply with this Anti-corruption Policy. During the year, the REIT Manager was not aware of any incidents of non-compliance with laws and regulations in relation to anti-corruption.

AMENDMENT TO THE TRUST DEED

In order to provide additional flexibility to the REIT Manager and Unitholders in relation to the conduct of general meetings of Unitholders, after obtaining the approval from the Unitholders at the extraordinary general meeting held on 31st January, 2024, Regal REIT and the Trustee entered into a Second Amending and Restating Deed to amend the Trust Deed to, inter alia, (a) to provide that the REIT Manager may, in its absolute discretion, determine whether to hold a general meeting (including, inter alia, an annual general meeting, any adjourned meeting or postponed meeting) as a physical, hybrid or virtual meeting, where Unitholders may attend, participate and vote via electronic means or attend and vote physically at the meeting location which may be in any part of the world and at one or more locations; (b) to require notices of general meetings to specify additional details regarding the physical, hybrid or virtual meeting to be held; (c) to provide that the chairman of the general meeting may, at his/her absolute discretion, without the consent of the general meeting, and before or after the meeting has started and irrespective of whether a quorum is present, interrupt or adjourn the meeting from time to time (or indefinitely) under certain prescribed circumstances; (d) to provide for the proceedings of general meetings which are held at one or more locations, or as a hybrid meeting or a virtual meeting, and the powers of the Board and the chairman of the general meeting in relation thereto; (e) to allow the REIT Manager to postpone or make changes to a general meeting when it in its absolute discretion consider it is inappropriate, impracticable, unreasonable or undesirable to hold the general meeting on or at the scheduled date or time or place or in the scheduled form; (f) to allow for votes to be cast by such means, electronic or otherwise as the REIT Manager or the chairman of the general meeting may determine; and (g) to provide for modes of electronic communication between the REIT Manager and Trustee.

PUBLIC FLOAT

As at 31st December, 2023, there were 3,257,431,189 Units in issue.

Based on the information that is publicly available to the REIT Manager and as reported to the Directors of the REIT Manager, more than 25% of the Units were held by independent public Unitholders as at 31st December, 2023.

COMPLIANCE

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 C1 of the Listing Rules during the year.

REVIEW OF ANNUAL REPORT

The Disclosure Committee and the Audit Committee of the REIT Manager have reviewed this Annual Report for the year ended 31st December, 2023, in conjunction with Regal REIT's external auditor. This Annual Report was approved by the Board of the REIT Manager on 27th March, 2024.

The Directors of the REIT Manager acknowledge their responsibility for the preparation of a true and fair presentation of the financial statements of Regal REIT for the year ended 31st December, 2023 in accordance with the Hong Kong Financial Reporting Standards, the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in the REIT Code.

The statement by the Regal REIT external auditor, Messrs. Ernst & Young, about their reporting responsibilities on the financial statements of Regal REIT for the year ended 31st December, 2023 is set out in the section "Independent Auditor's Report" contained in this Annual Report.

During the year 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 which 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 Regal Airport Hotel) and 31st December, 2030 (for the other four Initial Hotels). The abovementioned 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 year, the cash market rental income and other income under the Initial Hotels Lease Agreements amounted to approximately HK\$489.2 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 (the “Initial Hotels Deed of Trade Mark Licence”) with the REIT Manager and Regal REIT Group on 2nd March, 2007. Regal International Limited granted to the REIT Manager and each Initial Hotel – Property Company, inter alia, a non-exclusive and non-transferable licence to use its registered trade marks or service marks, in any jurisdiction where such marks are registered and free of any royalty, for the purpose of describing the ownership of each Initial Hotel and/or uses in connection with the business of each Initial Hotel.

(e) Wan Chai Hotel Management Agreement

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

During the year, total management fees under the Wan Chai Hotel Management Agreement amounted to approximately HK\$1.5 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 11st January, 2024 and 31st January, 2024 and the related circular to Unitholders dated 11st January, 2024, as published by the REIT Manager for further details of the SW Lease Extension.

During the year, the market rental income under the SW Lease Agreement amounted to HK\$35.6 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 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 11st January, 2024 and 31st January, 2024 and the related circular to Unitholders dated 11st 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 11st January, 2024 and 31st January, 2024 and the related circular to Unitholders dated 11st January, 2024, as published by the REIT Manager for further details of the FH Lease Extension.

During the year, the market rental income under the FH Lease Agreement amounted to HK\$32.4 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 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 11st January, 2024 and 31st January, 2024 and the related circular to Unitholders dated 11st January, 2024, as published by the REIT Manager for further details of the FH HMA Extension.

(l) Tenancy Agreement

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

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

During the year, total contractual lease income under the Tenancy Agreement amounted to approximately HK\$1.0 million.

(m) TKW Lease Agreement

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

During the year, the contractual cash rental receipts under the TKW Lease Agreement amounted to approximately HK\$30.0 million.

(n) TKW Lease Guarantee

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

(o) TKW Hotel Management Agreement

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

REIT Manager Fees

Regal Portfolio Management Limited, a member of the RHIHL Connected Persons Group, was appointed as the REIT Manager of Regal REIT. REIT Manager fees aggregating approximately HK\$91.1 million for such services rendered during the year were settled and/or are to be settled pursuant to the provisions of the Trust Deed.

Waivers from Strict Compliance

- (a) A waiver (the “Initial Hotels – RHIHL Connected Persons Group’s Waiver”) from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code, in respect of the Initial Hotels Lease Agreements, Initial Hotels Management Agreements, Initial Hotels Lease Guarantees and Initial Hotels Deed of Trade Mark Licence described above, was granted by the SFC on 5th March, 2007 subject to the terms and conditions as set out in the offering circular dated 19th March, 2007 issued by the REIT Manager (the “Offering Circular”).

On 15th January, 2020, the SFC extended its waiver term for the Initial Hotels – RHIHL Connected Persons Group’s Waiver in respect of the Initial Hotel Lease Agreements, so that such waiver will only cease on the date of expiry (being (i) 27th December, 2028 for Regal Airport Hotel; and (ii) 31st December, 2030 for the other four Initial Hotels) or termination of such agreements, whichever is earlier. Reference can be made to the related announcement dated 15th January, 2020 published by the REIT Manager.

During the year, Regal REIT complied with the terms and conditions of the Initial Hotels – RHIHL Connected Persons Group’s Waiver.

- (b) On 17th July, 2013, the SFC granted (subject to the terms and conditions as set out in the announcement dated 18th July, 2013 published by the REIT Manager) a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the original terms of each of the SW Lease Agreement, the SW Lease Guarantee, the SW Hotel Management Agreement, the FH Lease Agreement, the FH Lease Guarantee and the FH Hotel Management Agreement described above (the "SW & FH Hotels – RHIHL Connected Persons Group's Waiver").

During the year, Regal REIT complied with the terms and conditions of the SW & FH Hotels – RHIHL Connected Persons Group's Waiver.

- (c) On 20th July, 2017, the SFC granted (subject to the terms and conditions as set out in the announcement dated 20th July, 2017 published by the REIT Manager) a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the TKW Lease Agreement, the TKW Lease Guarantee and the TKW Hotel Management Agreement described above (the "TKW Hotel – RHIHL Connected Persons Group's Waiver").

During the year, Regal REIT complied with the terms and conditions of the TKW Hotel – RHIHL Connected Persons Group's Waiver.

- (d) On 15th January, 2020, the SFC granted (subject to the terms and conditions as set out in the announcement dated 15th January, 2020 published by the REIT Manager) a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the Wan Chai Hotel Management Agreement described above (the "WC Hotel – RHIHL Connected Persons Group's Waiver").

During the year, Regal REIT complied with the terms and conditions of the WC Hotel – RHIHL Connected Persons Group's Waiver.

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 year.

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\$3.8 million were recorded during the year for services rendered in this capacity.

Waiver from Strict Compliance

A waiver (the "Trustee Connected Persons Group's Waiver") from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code, in respect of the above transactions with connected persons (as defined in paragraph 8.1 of the REIT Code) of the Trustee was granted by the SFC on 5th March, 2007 subject to certain terms and conditions as set out in the Offering Circular.

During the year, Regal REIT complied with the terms and conditions of the Trustee Connected Persons Group's Waiver.

REPORT ON FACTUAL FINDINGS

Pursuant to all Waivers from Strict Compliance granted by the SFC as disclosed herein, the external auditor of Regal REIT was engaged to report on findings of agreed-upon procedures performed in relation to the Regal REIT Group's continuing connected party transactions in accordance with Hong Kong Standard on Related Services 4400 (Revised) "Agreed-Upon Procedures Engagements" and with reference to terms and conditions set out in the Waivers from Strict Compliance. The external auditor issued the report on factual findings and the report was presented to the Board of Directors of the REIT Manager. The report will also be provided by the REIT Manager to the SFC.

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors of the REIT Manager have reviewed all relevant connected party transactions including those connected party transactions with the RHIHL Connected Persons Group and the Trustee Connected Persons Group 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 31st December, 2023, the interests of the Substantial Unitholders (as defined in paragraph 8.1 of the REIT Code) (not being a director or chief executive of the REIT Manager) in Units, as recorded in the register (the "Register") required to be kept under the Trust Deed, were as follows:

Names of Substantial Unitholders	Total number of issued Units held	Approximate percentage of the issued Units as at 31st December, 2023^(x)
Century City International Holdings Limited ("CCIHL")	2,443,033,102 (Note i)	74.99%
Century City BVI Holdings Limited ("CCBVI")	2,443,033,102 (Notes i & ii)	74.99%
Paliburg Holdings Limited ("PHL")	2,440,346,102 (Notes iii & iv)	74.92%
Paliburg Development BVI Holdings Limited ("PDBVI")	2,440,346,102 (Notes iii & v)	74.92%
Regal Hotels International Holdings Limited ("RHIHL")	2,439,613,739 (Notes vi & vii)	74.89%
Regal International (BVI) Holdings Limited ("RBVI")	2,439,613,739 (Notes vi & viii)	74.89%
Complete Success Investments Limited	1,817,012,072 (Note ix)	55.78%
Great Prestige Investments Limited	373,134,326 (Note ix)	11.45%

Notes:

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

- (iv) PHL is a listed subsidiary of CCBVI, which held an approximately 62.28% shareholding interest in PHL as at 31st December, 2023, and its interests in Units are deemed to be the same interests held by CCBVI.
- (v) PDBVI is a wholly-owned subsidiary of PHL and its interests in Units are deemed to be the same interests held by PHL.
- (vi) The interests in 2,439,613,739 Units held by each of RHIHL and RBVI were the same parcel of Units, which were directly held by RBVI and its wholly-owned subsidiaries, respectively.
- (vii) RHIHL is a listed subsidiary of PDBVI, which held an approximately 69.25% shareholding interest in RHIHL as at 31st December, 2023, and its interests in Units are deemed to be the same interests held by PDBVI.
- (viii) RBVI is a wholly-owned subsidiary of RHIHL and its interests in Units are deemed to be the same interests held by RHIHL.
- (ix) These companies are wholly-owned subsidiaries of RBVI and their respective direct interests in Units are deemed to be the same interests held by RBVI.
- (x) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 31st December, 2023.

Save as disclosed herein, there were no other persons who, as at 31st December, 2023, had interests in Units which are required to be recorded in the Register.

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

As at 31st December, 2023, the interests of the REIT Manager, directors and chief executives of the REIT Manager in Units, as recorded in the Register, were as follows:

Name of Director of the REIT Manager	Total number of issued Units held	Approximate percentage of the issued Units as at 31st December, 2023⁽ⁱⁱ⁾
LO Yuk Sui	2,443,033,102 (Note i)	74.99%

Notes:

- (i) The interests in 2,443,033,102 Units were the same parcel of Units held through CCIHL in which Mr. Lo Yuk Sui held approximately 67.43% shareholding interest as at 31st December, 2023.
- (ii) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 31st December, 2023.

Save as disclosed herein, as at 31st December, 2023, none of the REIT Manager, the Directors and the chief executives of the REIT Manager had any interests in Units, which are required to be recorded in the Register. 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.

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2023

	Notes	2023 HK\$'000	2022 HK\$'000
REVENUE			
Gross rental revenue	5	586,439	597,566
Gross hotel revenue	5	31,323	18,875
		<u>617,762</u>	<u>616,441</u>
Property and hotel operating expenses		<u>(18,724)</u>	<u>(15,842)</u>
Net rental and hotel income	5	599,038	600,599
Interest income		875	438
Depreciation	11	(7,726)	(7,935)
Fair value changes on investment properties	12	366,920	754,688
REIT Manager fees	6	(91,053)	(89,595)
Trust, professional and other expenses	7	(10,547)	(10,249)
Finance costs – excluding distributions to Unitholders	8	<u>(611,183)</u>	<u>(281,849)</u>
PROFIT BEFORE TAX AND DISTRIBUTIONS TO UNITHOLDERS		246,324	966,097
Income tax credit/(expense)	9	<u>19,412</u>	<u>(36,201)</u>
PROFIT FOR THE YEAR, BEFORE DISTRIBUTIONS TO UNITHOLDERS		265,736	929,896
Finance costs – distributions to Unitholders		<u>(32,574)</u>	<u>(299,684)</u>
PROFIT FOR THE YEAR, AFTER DISTRIBUTIONS TO UNITHOLDERS		<u>233,162</u>	<u>630,212</u>
EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS			
Basic and diluted	10	<u>HK\$0.082</u>	<u>HK\$0.285</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2023

	Notes	2023 HK\$'000	2022 HK\$'000
PROFIT FOR THE YEAR, BEFORE DISTRIBUTIONS TO UNITHOLDERS		265,736	929,896
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on revaluation of property	11	39,338	36,815
Income tax effect	22	(6,491)	(6,074)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		32,847	30,741
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		32,847	30,741
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, BEFORE DISTRIBUTIONS TO UNITHOLDERS		298,583	960,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment	11	636,000	604,000
Investment properties	12	23,352,000	22,949,000
Finance lease receivables	13	998	7,468
Total non-current assets		<u>23,988,998</u>	<u>23,560,468</u>
Current assets			
Accounts receivable	14	6,511	884
Prepayments, deposits and other receivables	15	9,369	6,500
Due from related companies	27(b)	2,228	2,747
Tax recoverable		2,532	5,871
Finance lease receivables	13	6,470	6,351
Restricted cash	16	330,360	124,354
Cash and cash equivalents	17	45,877	141,336
Total current assets		<u>403,347</u>	<u>288,043</u>
Total assets		<u>24,392,345</u>	<u>23,848,511</u>
Current liabilities			
Accounts payable	18	40,242	70,028
Deposits received		182	10,151
Due to related companies	27(b)	183,722	521
Other payables and accruals		72,125	60,775
Contract liabilities	19	461	1,096
Interest-bearing bank borrowings	21	919,360	5,727,031
Lease liabilities	20	6,470	6,351
Tax payable		600	6,726
Total current liabilities		<u>1,223,162</u>	<u>5,882,679</u>
Net current liabilities		<u>(819,815)</u>	<u>(5,594,636)</u>
Total assets less current liabilities		<u>23,169,183</u>	<u>17,965,832</u>

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing bank borrowings	21	9,421,072	4,454,189
Lease liabilities	20	998	7,468
Deposits received		2,867	—
Deferred tax liabilities	22	670,373	696,311
Total non-current liabilities		10,095,310	5,157,968
Total liabilities, excluding net assets attributable to Unitholders			
		11,318,472	11,040,647
Net assets attributable to Unitholders			
		13,073,873	12,807,864
Number of Units in issue			
	23	3,257,431,189	3,257,431,189
Net asset value per Unit attributable to Unitholders			
	24	HK\$4.014	HK\$3.932

The consolidated financial statements on pages 68 to 118 were approved and authorised for issue by Regal Portfolio Management Limited as the Manager of Regal REIT on 27th March, 2024 and were signed on its behalf by:

SIMON LAM MAN LIM
Executive Director

LO YUK SUI
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31st December, 2023

	Units HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total 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 year	—	—	—	265,736	265,736
Other comprehensive income for the year:					
Gain on revaluation of property, net of tax	—	—	32,847	—	32,847
Total comprehensive income for the year, before distributions to Unitholders	—	—	32,847	265,736	298,583
Transfer of depreciation on a hotel property	—	—	(1,874)	1,874	—
Finance costs – distributions to Unitholders	—	—	—	(32,574)	(32,574)
Net assets as at 31st December, 2023	8,432,356	15,876	220,450	4,405,191	13,073,873

For the year ended 31st December, 2022

	Units HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets as at 1st January, 2022	8,432,356	15,876	160,350	3,538,329	12,146,911
Profit for the year	—	—	—	929,896	929,896
Other comprehensive income for the year:					
Gain on revaluation of property, net of tax	—	—	30,741	—	30,741
Total comprehensive income for the year, before distributions to Unitholders	—	—	30,741	929,896	960,637
Transfer of depreciation on a hotel property	—	—	(1,614)	1,614	—
Finance costs – distributions to Unitholders	—	—	—	(299,684)	(299,684)
Net assets as at 31st December, 2022	8,432,356	15,876	189,477	4,170,155	12,807,864

DISTRIBUTION STATEMENT

For the year ended 31st December, 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Profit for the year, before distributions to Unitholders		265,736	929,896
Adjustments:			
Difference in accounting rental income and contractual cash rental income		—	4,675
Amounts set aside for the furniture, fixtures and equipment reserve	(d)	(28,120)	(24,104)
Amortisation of debt establishment costs		26,395	24,713
Fair value changes on investment properties		(366,920)	(754,688)
Depreciation		7,726	7,935
Deferred tax charge/(credit)		(32,429)	16,332
Distributable income/(adjusted loss) for the year	(a)	(127,612)	204,759
		HK\$	HK\$
Distributions per Unit:			
Interim	(b)	—	0.051
Final	(c)	—	0.010
		—	0.061

Notes:

- (a) Pursuant to the Trust Deed, Regal REIT is required to ensure that the total amount distributed to Unitholders shall be no less than 90% of Regal REIT's total distributable income as defined in the Trust Deed ("Total Distributable Income") for each financial year. The current policy of the REIT Manager is to distribute to Unitholders no less than 90% of Regal REIT's Total Distributable Income for each financial year.
- (b) The amount of any distribution for the interim period of each financial year is at the discretion of the REIT Manager. Regal REIT recorded an adjusted loss of HK\$19.4 million for the six months ended 30th June, 2023, while there was a total distributable income of HK\$183.1 million for the six months ended 30th June, 2022.
- (i) The REIT Manager decided not to declare an interim distribution for the six months ended 30th June, 2023.
- (ii) An interim distribution of HK\$0.051 per Unit for the six months ended 30th June, 2022 was made, involving a distribution amount of HK\$166.1 million.
- (c) Regal REIT recorded an adjusted loss of HK\$127.6 million for the year under review, while there was a total distributable income of HK\$204.8 million in 2022.
- (i) The REIT Manager decided not to declare any final distribution for the year ended 31st December, 2023.
- (ii) The final distribution of HK\$0.010 per Unit for the period from 1st July, 2022 to 31st December, 2022 amounted to HK\$32.6 million. Together with the interim distribution of HK\$0.051 per Unit, the total distribution for the financial year 2022 was HK\$0.061 involving a total distribution amount of HK\$198.7 million which was equivalent to a payout ratio of 97.0% for that year.
- (d) Amounts set aside by Regal REIT for the furniture, fixtures and equipment reserve (the "FF&E Reserve") with respect to Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel (collectively, the "Initial Hotels" and each referred to as the "Initial Hotel"), iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel aggregated HK\$28.1 million (2022: HK\$24.1 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2023

	Notes	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax and distributions to Unitholders		246,324	966,097
Adjustments for:			
Difference in accounting rental income and contractual cash rental income	5	—	4,675
Fair value changes on investment properties	12	(366,920)	(754,688)
Interest income		(875)	(438)
Finance costs - excluding distributions to Unitholders	8	611,183	281,849
Depreciation	11	7,726	7,935
		497,438	505,430
Increase in accounts receivable		(5,627)	(640)
Decrease/(increase) in prepayments, deposits and other receivables		(837)	428
Increase/(decrease) in amounts due from related companies		519	(1,328)
Increase in restricted cash		(20)	(2)
Increase/(decrease) in accounts payable		(29,786)	37,923
Increase/(decrease) in deposits received		(7,102)	7,276
Increase in amounts due to related companies		183,201	120
Increase/(decrease) in other payables and accruals		(5,238)	26,829
Increase/(decrease) in contract liabilities		(635)	656
Cash generated from operations		631,913	576,692
Interest received		3,018	439
Interest paid		(572,375)	(244,512)
Hong Kong profits tax paid		(15,804)	(35,950)
Net cash flows from operating activities		46,752	296,669
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(388)	(120)
Additions to investment properties		(36,080)	(45,312)
Principal portion of finance lease received		6,351	6,821
Decrease/(increase) in restricted cash		8,879	(7,493)
Decrease in time deposit with an original maturity of more than three months		—	10,000
Net cash flows used in investing activities		(21,238)	(36,104)

	Notes	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank borrowings, net of debt establishment costs		2,523,817	3,360,750
Repayment of bank borrowings		(2,391,000)	(3,200,000)
Principal portion of lease payments		(6,351)	(6,821)
Distributions paid		(32,574)	(299,684)
Increase in restricted cash		(214,865)	(17,626)
		<u>(120,973)</u>	<u>(163,381)</u>
Net cash flows used in financing activities			
		(95,459)	97,184
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		141,336	44,152
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
		45,877	141,336
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	<u>45,877</u>	<u>141,336</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2023

1. GENERAL

Regal Real Estate Investment Trust ("Regal REIT") is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units (the "Units") were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30th March, 2007. Regal REIT is governed by a trust deed (the "Trust Deed") dated 11th December, 2006 (date of establishment), made between Regal Portfolio Management Limited (the "REIT Manager") and DB Trustees (Hong Kong) Limited (the "Trustee") (as amended and restated by the first amending and restating deed dated 23rd March, 2021 and the second amending and restating deed dated 31st January, 2024) and the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Hong Kong Securities and Futures Commission (the "SFC").

The principal activity of Regal REIT and its subsidiaries (collectively, referred to as 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. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, these consolidated financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code. The consolidated financial statements have been prepared under the historical cost convention, except for property, plant and equipment and investment properties which have been measured at fair value. These 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 31st December, 2023, the Group's current liabilities exceeded its current assets by HK\$819,815,000. The net current liabilities position was mainly due to the term loans which mature within twelve months and the revolving loan that could be rolled-over on a monthly basis, which in aggregate amounted to HK\$920,400,000 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 facility, 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 consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Regal REIT. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When Regal REIT has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as Regal REIT, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	<i>Insurance Contracts</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 the 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 financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments, therefore, did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and input to develop accounting estimates. Since the Group's approach and policies align with the amendments, the amendments had no impact on the Group financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{1, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ^{1, 4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

¹ Effective for annual periods beginning on or after 1st January, 2024

² Effective for annual periods beginning on or after 1st January, 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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 amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Unitholders' funds

In accordance with the Trust Deed, Regal REIT has a limited life of eighty years less one day from the date of its commencement, and it is required to distribute to the Unitholders no less than 90% of its Total Distributable Income for each financial year. Accordingly, Regal REIT has contractual obligations to the Unitholders to pay cash dividends and also, upon the termination of Regal REIT, a share of all net cash proceeds derived from the sale or realisation of the assets of Regal REIT less any liabilities, in accordance with the proportionate interests of the Unitholders in Regal REIT at the date of its termination. The Unitholders' funds are, therefore, classified as financial liabilities in accordance with HKAS 32 *Financial Instruments: Presentation*.

Fair value measurement

The Group measures its property, plant and equipment and investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The policies and procedures for both recurring fair value measurement, such as investment properties and property, plant and equipment, and non-recurring measurement are determined by the Trust Deed. The REIT Manager shall select and recommend one or more property valuers to the Trustee and the Trustee shall, subject to the provisions in the Trust Deed and the REIT Code, on the written instructions of the REIT Manager, appoint a property valuer recommended by the REIT Manager for the valuation of the Group's properties.

The REIT Manager has discussions with the external valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at valuation less accumulated depreciation and any impairment losses. The initial cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated statement of profit or loss. Any subsequent revaluation surplus is credited to the consolidated statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for hotel properties are over the lease term (for land) and over the shorter of the lease term and 2.5% (for buildings together with furniture, fixtures and equipment).

Where parts of an item of property, plant and equipment have different useful lives, the cost of such items are allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair values, which reflect market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures such financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement of financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12 month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated as credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as trade and other payables, and borrowings.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Subsequent measurement of financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is recognised in the consolidated statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in net assets.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable future taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent it has become probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(b) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments, and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Revenue recognition

Revenue from leases

Rental income is recognised on the following bases:

- (a) Base Rent from operating leases, on the straight-line basis over the terms of the relevant leases;
- (b) Variable Rent, in the accounting period in accordance with the terms of the respective agreements; and
- (c) other rental income, on a time proportion basis over the lease terms.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue from hotel operations comprises of the provision of room and ancillary services and is recognised over time in the accounting period in which the services are rendered.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Foreign currency transactions

These consolidated financial statements are presented in Hong Kong dollars, which is Regal REIT's functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimations of fair values of investment properties and property, plant and equipment

The fair value of each investment property and item of property, plant and equipment is individually determined at the end of each reporting period by an independent valuer based on a market value assessment. The valuer has relied on the income approach – discounted cash flow analysis as its primary method supported by the direct comparison approach. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy or occupancy, and cash flow profile. The discounted cash flow projections of each investment property and item of property, plant and equipment are based on reliable estimates of expected future cash flows, supported by the terms of any existing leases, other contracts, projection of hotel operating income and (when possible) by external evidence, and using discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows. In respect of the leases of each investment property and item of property, plant and equipment, due consideration has also been given to the expectation of the renewal of the leases with the Government of the Hong Kong Special Administrative Region upon expiry without paying any land premiums, which is a widely accepted practice used in the property market, and is widely accepted by other real estate investment trusts in Hong Kong.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the carryforward of unused tax losses can be utilised. Recognition of deferred tax primarily involves judgements and estimations regarding the future performance of the Group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portions or all of the deferred tax assets will ultimately be realised, such as tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amounts of deferred tax assets and related taxable profit projections are reviewed at the end of each reporting period.

Provision for expected credit losses on accounts receivable

The Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The financial impact of ECLs for accounts receivable under HKFRS 9 was insignificant for the year ended 31st December, 2023. The information about the Group's accounts receivable is disclosed in note 14 to the consolidated financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease and, therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable input when available and is required to make certain entity-specific estimates.

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 year ended 31st December, 2023 are as follows:

	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Segment revenue			
Gross rental revenue	580,644	5,795	586,439
Gross hotel revenue	—	31,323	31,323
Total	580,644	37,118	617,762
Segment results	577,469	21,569	599,038
Fair value changes on investment properties	365,920	1,000	366,920
Depreciation	—	(7,726)	(7,726)
Interest income			875
REIT Manager fees			(91,053)
Trust, professional and other expenses			(10,547)
Finance costs – excluding distributions to Unitholders			(611,183)
Profit before tax and distributions to Unitholders			246,324

The operating segments of the Group for the year ended 31st December, 2022 were as follows:

	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Segment revenue			
Gross rental revenue	592,102	5,464	597,566
Gross hotel revenue	—	18,875	18,875
	<u>592,102</u>	<u>24,339</u>	<u>616,441</u>
Total	592,102	24,339	616,441
Segment results			
	<u>589,220</u>	<u>11,379</u>	600,599
Fair value changes on investment properties	750,688	4,000	754,688
Depreciation	—	(7,935)	(7,935)
Interest income			438
REIT Manager fees			(89,595)
Trust, professional and other expenses			(10,249)
Finance costs – excluding distributions to Unitholders			<u>(281,849)</u>
Profit before tax and distributions to Unitholders			<u>966,097</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 31st December, 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\$23,155,000,000 (2022: HK\$22,753,000,000) and HK\$833,000,000 (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

	Year ended 31st December, 2023		
	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Capital expenditures	<u>36,080</u>	<u>388</u>	<u>36,468</u>

	Year ended 31st December, 2022		
	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Capital expenditures	<u>44,999</u>	<u>120</u>	<u>45,119</u>

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

Information about a major customer

For the year ended 31st December, 2023, revenue of HK\$580,644,000 (2022: HK\$592,102,000) 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

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

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	2023 HK\$'000	2022 HK\$'000
Gross rental revenue			
Rental income			
Initial Hotels	(a)	480,000	475,000
iclub Wan Chai Hotel – Non-hotel portions		5,795	5,464
iclub Sheung Wan Hotel	(b)	35,628	27,000
iclub Fortress Hill Hotel	(c)	32,358	37,757
iclub To Kwa Wan Hotel	(d)	30,000	50,000
Other income		2,658	2,345
		<u>586,439</u>	<u>597,566</u>
Property operating expenses		<u>(3,831)</u>	<u>(3,521)</u>
Net rental income		<u>582,608</u>	<u>594,045</u>
Gross hotel revenue			
Hotel operating expenses	(f)	31,323	18,875
		<u>(14,893)</u>	<u>(12,321)</u>
Net hotel income		<u>16,430</u>	<u>6,554</u>
Net rental and hotel income		<u>599,038</u>	<u>600,599</u>
Revenue from contracts with customers			
Gross hotel revenue	(e)	31,323	18,875
		<u>31,323</u>	<u>18,875</u>
Revenue from other sources			
Gross rental income		<u>586,439</u>	<u>597,566</u>

Notes:

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

	2023	2022
	HK\$'000	HK\$'000
Base Rent	480,000	475,000
Variable Rent	<u>—</u>	<u>—</u>
	<u>480,000</u>	<u>475,000</u>

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

	2023	2022
	HK\$'000	HK\$'000
Base Rent	32,000	27,000
Variable Rent	<u>3,628</u>	<u>—</u>
	<u>35,628</u>	<u>27,000</u>

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

	2023	2022
	HK\$'000	HK\$'000
Base Rent	30,000	27,000
Variable Rent	<u>2,358</u>	<u>10,757</u>
	<u>32,358</u>	<u>37,757</u>

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

	2023	2022
	HK\$'000	HK\$'000
Contractual cash rental income	—	45,900
Difference in accounting rental income and contractual cash rental income	—	(4,675)
Base Rent	30,000	8,775
Variable Rent	<u>—</u>	<u>—</u>
	<u>30,000</u>	<u>50,000</u>

(e) Gross hotel revenue is recognised over time.

(f) Included subsidies of HK\$668,000 granted by the Government of the Hong Kong Special Administrative Region under the Anti-epidemic Fund during the year ended 31st December, 2022. There were no unfulfilled conditions related to these grants.

6. REIT MANAGER FEES

	2023 HK\$'000	2022 HK\$'000
Base Fees	73,155	71,504
Variable Fees	17,898	18,091
	91,053	89,595

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 year 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 6th December, 2022.

7. TRUST, PROFESSIONAL AND OTHER EXPENSES

	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration:		
Audit fees	1,350	1,900
Non-audit fees	534	713
Legal and other professional fees	2,610	1,349
Trustee fees	3,780	3,694
Valuation fees	400	400
Other expenses	1,873	2,193
	10,547	10,249

Regal REIT did not appoint any directors and the Group did not engage any employees during the year (2022: Nil) and, accordingly, no director and employee benefit expenses were incurred during the year (2022: Nil).

8. FINANCE COSTS - EXCLUDING DISTRIBUTIONS TO UNITHOLDERS

	2023 HK\$'000	2022 HK\$'000
Interest expense on interest-bearing bank borrowings	586,134	260,064
Amortisation of debt establishment costs	26,395	24,713
Interest income from restricted cash	(4,172)	—
Others, net of compensation income	2,622	(3,250)
Interest expense on lease liabilities	204	322
	<u>611,183</u>	<u>281,849</u>

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2023 HK\$'000	2022 HK\$'000
Charge for the year	13,045	19,939
Overprovision in prior years	(28)	(70)
Deferred (note 22)	(32,429)	16,332
Total tax charge/(credit) for the year	<u>(19,412)</u>	<u>36,201</u>

A reconciliation of the tax charge applicable to profit before tax and distributions to Unitholders at the Hong Kong statutory tax rate of 16.5% (2022: 16.5%) to the tax charge at the Group's effective tax rate is as follows:

	2023 HK\$'000	2022 HK\$'000
Profit before tax and distributions to Unitholders	<u>246,324</u>	<u>966,097</u>
Tax charge at the statutory tax rate	40,643	159,406
Adjustments in respect of current tax of previous periods	(28)	(70)
Income not subject to tax	(60,770)	(124,537)
Expenses not deductible for tax	928	933
Others	(185)	469
Tax charge/(credit) at the Group's effective rate	<u>(19,412)</u>	<u>36,201</u>

10. EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The calculation of the basic earnings per Unit attributable to Unitholders is based on the profit for the year before distributions to Unitholders of HK\$265,736,000 (2022: HK\$929,896,000) and 3,257,431,189 Units in issue (2022: 3,257,431,189 Units). The basic earnings per Unit attributable to Unitholders for the year amounted to HK\$0.082 (2022: HK\$0.285).

The diluted earning 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 year (2022: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Authorised investments
	Hotel properties HK\$'000
At 1st January, 2022	575,000
Additions	120
Surplus on revaluation	36,815
Depreciation provided during the year	(7,935)
	<hr/>
At 31st December, 2022 and 1st January, 2023	604,000
Additions	388
Surplus on revaluation	39,338
Depreciation provided during the year	(7,726)
	<hr/>
At 31st December, 2023	636,000

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 International (Hong Kong) Limited ("Colliers"), an independent property valuer and the principal valuer of Regal REIT, at HK\$636,000,000 as at 31st December, 2023 (2022: HK\$604,000,000). A revaluation surplus of HK\$39,338,000 (2022: HK\$36,815,000) resulting from the valuation as at 31st December, 2023 has been credited to other comprehensive income.

The property, plant and equipment is categorised as Level 3 in the fair value hierarchy (note 29).

The iclub Wan Chai Hotel has been pledged to secure banking facilities granted to the Group (note 21).

The carrying amount of the Group's property, plant and equipment would have been HK\$371,990,000 (2022: HK\$377,083,000) had such assets been stated in the consolidated financial statements at cost less accumulated depreciation.

Further particulars of the Group's hotel properties are included on page 187.

12. INVESTMENT PROPERTIES

	<u>Authorised investments</u>		
	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
	<u>22,753,000</u>	<u>196,000</u>	<u>22,949,000</u>
At 31st December, 2022 and 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
	<u>23,155,000</u>	<u>197,000</u>	<u>23,352,000</u>
At 31st December, 2023	23,155,000	197,000	23,352,000

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

The Group's investment properties were valued by Colliers at HK\$23,352,000,000 as at 31st December, 2023 (2022: HK\$22,949,000,000). The investment properties are leased to a related company and other commercial tenants under operating leases. Further details of which are included in note 20 to the consolidated financial statements.

The investment properties are categorised as Level 3 in the fair value hierarchy (note 29).

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 21).

Further particulars of the Group's investment properties are included on pages 186 to 187.

13. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Amounts receivable:				
Not later than one year	6,555	6,555	6,470	6,351
Later than one year and not later than five years	999	7,554	998	7,468
	<u>7,554</u>	<u>14,109</u>	<u>7,468</u>	<u>13,819</u>
Less: Unearned finance income	<u>(86)</u>	<u>(290)</u>		
	<u>7,468</u>	<u>13,819</u>		
Portion classified as current assets	<u>(6,470)</u>	<u>(6,351)</u>		
Non-current portion	<u>998</u>	<u>7,468</u>		

The effective interest rate of the finance lease of the premises as at 31st December, 2023 is 1.86% (2022: 1.86%) per annum.

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

14. ACCOUNTS RECEIVABLE

	2023 HK\$'000	2022 HK\$'000
Variable Rent receivable	5,986	—
Other accounts receivable	525	884
	<u>6,511</u>	<u>884</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 unsecured, 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.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Prepayments	1,882	1,009
Deposits and other receivables	7,487	5,491
	<u>9,369</u>	<u>6,500</u>

Deposits in the amount of HK\$1,212,000 (2022: HK\$1,212,000) were placed with a related company with respect to services provided to iclub Wan Chai Hotel. The amounts are unsecured, interest-free and repayable on demand.

16. 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.

17. 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.

18. ACCOUNTS PAYABLE

	2023 HK\$'000	2022 HK\$'000
Amounts due to related companies	39,524	69,780
Other accounts payable	718	248
	<u>40,242</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.

19. CONTRACT LIABILITIES

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

	2023 HK\$'000	2022 HK\$'000
Advances from customers	<u>461</u>	<u>1,096</u>

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

20. 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 year were as follows:

	2023 HK\$'000	2022 HK\$'000
Carrying amount at 1st January	13,819	20,640
Accretion of interest recognised during the year	204	322
Payments	<u>(6,555)</u>	<u>(7,143)</u>
Carrying amount at 31st December	<u>7,468</u>	<u>13,819</u>
Analysed into:		
Current portion	6,470	6,351
Non-current portion	<u>998</u>	<u>7,468</u>
	<u>7,468</u>	<u>13,819</u>

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

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	204	322
Expense relating to short-term leases (included in property and hotel operating expenses)	<u>360</u>	<u>310</u>
Total amount recognised in profit or loss	<u>564</u>	<u>632</u>

(c) The total cash outflow for leases was HK\$6,915,000 (2022: HK\$7,453,000).

The Group as a lessor

The Group leases its investment properties (note 12) consisting of hotel properties, commercial properties and premises in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	2023	2022
	HK\$'000	HK\$'000
Within one year	674,106	580,392
After one year but within two years	6,217	6,555
After two years but within three years	2,577	954
	682,900	587,901

21. INTEREST-BEARING BANK BORROWINGS

	Note	2023	2022
		HK\$'000	HK\$'000
Interest-bearing bank borrowings		10,424,900	10,271,000
Debt establishment costs		(84,468)	(89,780)
		10,340,432	10,181,220
Portion classified as current liabilities		(919,360)	(5,727,031)
Non-current portion		9,421,072	4,454,189
Principal amounts repayable based on original maturity terms:			
Within one year		920,400	2,466,000
In the second year	(a)	700,000	455,000
In the third to fifth years, inclusive	(a)	8,804,500	7,350,000
		10,424,900	10,271,000

Note:

- (a) For the year ended 31st December 2022, included in the amount were two long term loans with an aggregate principal amount of HK\$3,305.0 million (the "Relevant Loans") which have maturity dates beyond 2022 but were classified as current liabilities at the end of the reporting period. The Relevant Loans were deemed to have been in breach or in breach of a loan covenant related to interest coverage ratio (the "ICR") as at 31st December, 2022. Subsequent to the year ended 31st December, 2022, waivers and confirmations have been secured from the relevant bank lenders on the ICR breach and that the Relevant Loans remain repayable on their original maturity dates in 2027 and 2024, respectively. Despite the waivers and confirmations obtained from the bank lenders, the Relevant Loans were still classified as current liabilities as at 31st December, 2022, in order to comply with the applicable accounting standards. Having obtained the waivers from the bank lenders, there were no longer any deemed breach or breach of the ICR related loan covenants under the Relevant Loans as at 31st December, 2022.

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 31st December, 2023, the 2021 IH Facilities had an outstanding amount of HK\$4,965.4 million, representing the full amount of the term loan facility and an amount of HK\$465.4 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 carries interest based on HIBOR and has loan maturity in June 2027. As at 31st December, 2023, the outstanding amount of the 2022 RKH Facility was HK\$2,900.0 million, after an installment repayment of HK\$50.0 million in June 2023, representing the full amount of the term loan facility.

On 19th July, 2019, Regal REIT, through a wholly-owned subsidiary, Sonnix Limited, entered into a facility agreement for a term loan facility of HK\$440.0 million (the “2019 WC Facility”), for a term of five years to July 2024. The 2019 WC Facility is secured by the iclub Wan Chai Hotel. On 22nd June, 2020, its principal amount was revised to HK\$405.0 million for compliance with an undertaking in the facility agreement. As at 31st December, 2023, 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 31st December, 2023, the outstanding amount of the 2023 SW Facility was HK\$749.5 million, representing the full amount of the term loan.

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 31st December, 2023, 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 31st December, 2023, the outstanding amount of the 2023 TKW Facility was HK\$650.0 million, representing the full amount of the term loan.

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

Bank borrowings under the 2021 IH Facilities, the 2022 RKH Facility, the 2019 WC Facility, the 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.

22. DEFERRED TAX

The movements in deferred tax assets and liabilities during the 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 (note 9)	319	(20,134)	3,483	(16,332)
Gross deferred tax assets/(liabilities) at 31st December, 2022	<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 year	(6,491)	—	—	(6,491)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 9)	370	(16,252)	48,311	32,429
Gross deferred tax assets/(liabilities) at 31st December, 2023	<u>(43,562)</u>	<u>(686,614)</u>	<u>59,803</u>	<u>(670,373)</u>

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

23. NUMBER OF UNITS IN ISSUE

	Number of Units	
	2023	2022
At beginning and end of the year	<u>3,257,431,189</u>	<u>3,257,431,189</u>

24. 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 31st December, 2023 of HK\$13,073,873,000 (2022: HK\$12,807,864,000) by the number of Units in issue of 3,257,431,189 (2022: 3,257,431,189) as at that date.

25. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Lease liabilities HK\$'000	Interest- bearing bank borrowings HK\$'000
At 1st January, 2022	20,640	9,992,044
Changes from financing cash flows	(6,821)	164,463
Non-cash change:		
Amortisation of debt establishment costs	—	24,713
At 31st December, 2022 and 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
At 31st December, 2023	<u>7,468</u>	<u>10,340,432</u>

26. COMMITMENTS

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

	2023	2022
	HK\$'000	HK\$'000
Authorised, but not contracted for	29,394	31,384

27. CONNECTED AND RELATED PARTY TRANSACTIONS

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

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

(a) Transactions with connected/related parties:

	Notes	2023	2022
		HK\$'000	HK\$'000
Contractual rental income received/receivable from the RHIHL Group	(i)	587,198	603,903
Rental income received/receivable from the RHIHL Group	(ii)	1,083	1,732
Hotel management fees charged by the RHIHL Group	(iii)	(1,491)	(722)
Marketing fees charged by the RHIHL Group	(iv)	(313)	(189)
Building management fees charged by the PHL Group	(v)	(632)	(632)
REIT Manager fees	(vi)	(91,053)	(89,595)
Trustee fees	(vii)	(3,780)	(3,694)
Meeting fees charged by the RHIHL Group	(viii)	—	(171)

Notes:

- (i) The rental income earned by the Group was in accordance with the relevant lease agreements with respect to the Initial Hotels, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel.
- (ii) The rental income earned by the Group was in accordance with the relevant tenancy agreement with respect to Shop Nos. A & B, which is part of the iclub Wan Chai Hotel.
- (iii) The hotel management fees in respect of iclub Wan Chai Hotel – Hotel portion were comprised of (a) a base fee, for an amount based on 2% of the gross hotel revenue, and (b) an incentive fee based on 5% of the excess of the gross operating profit over the base fee and fixed charges in accordance with the corresponding hotel management agreement.
- (iv) The marketing fees in respect of iclub Wan Chai Hotel – Hotel portion were charged at 1% of the gross hotel revenue of iclub Wan Chai Hotel – Hotel portion in accordance with the corresponding hotel management agreement.
- (v) The building management fees were charged at a mutually agreed amount payable on a monthly basis in respect of iclub Wan Chai Hotel – Non-hotel portions.
- (vi) The REIT Manager is entitled to receive Base Fees and Variable Fees, details of which, including the terms, are set out in note 6 to the consolidated financial statements.
- (vii) The Trustee is entitled to receive trustee fees (calculated and payable quarterly) at rates ranging from 0.015% per annum to 0.025% per annum based on the value of the deposited property of Regal REIT as at the end of the reporting period subject to a minimum of HK\$66,000 per month.
- (viii) The meeting fees were charged at mutually agreed amounts.

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

- (b) Balances at 31st December with connected/related parties were as follows:

	Notes	2023 HK\$'000	2022 HK\$'000
Net amounts due from/(to) the RHIHL Group:			
Accounts payable to related companies	(i)	(39,524)	(69,780)
Deposit received	(iii)	—	(7,433)
Amounts due from related companies	(i)	2,228	2,747
Amounts due to related companies	(i)	(183,722)	(521)
Net amounts due from the PHL Group:			
Deposits paid	(i)	1,212	1,212
Net amounts due to:			
The Trustee	(ii)	(1,019)	(1,042)
Restricted and non-restricted bank balances with the Deutsche Bank Group			
	(iv)	154	154

Notes:

- (i) The amounts are unsecured, interest-free and repayable on demand/within one year.
 - (ii) The amount is unsecured and repayable in accordance with the terms of the Trust Deed.
 - (iii) The amount is repayable in accordance with the terms of the relevant agreement.
 - (iv) The bank balances earn interest at prevailing market rates.
- (c) The RHIHL Group has guaranteed to pay all amounts from time to time owing or payable by the lessee of the Initial Hotels to the Group under the respective lease agreements, when the same become due, together with other charges and outgoings, interest, default interest, fees and costs. In this connection, the RHIHL Group undertook to maintain a minimum consolidated tangible net worth (as defined in the relevant agreements) of HK\$4 billion. Under the Market Rental Package for 2023, the RHIHL Group provided a third party guarantee as security deposit for an amount of HK\$120.00 million (2022: HK\$118.75 million), which is equivalent to three-month Base Rent for the year 2023, issued by a licensed bank in Hong Kong.
- (d) Under a deed of trade mark licence, the RHIHL Group granted the REIT Manager and companies holding the Initial Hotels within the Group a non-exclusive and non-transferable licence at nil consideration to use its registered trade marks or service marks for the purpose of describing the ownership of the Initial Hotels and/or use in connection with the business of the Initial Hotels.
- (e) On 10th February, 2014, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Sheung Wan Hotel for a 10-year term commencing on 10th February, 2014.
- (f) On 28th July, 2014, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Fortress Hill Hotel for a 10-year term commencing on 28th July, 2014.
- (g) On 4th September, 2017, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub To Kwa Wan Hotel for a 10-year term commencing on 4th September, 2017.
- (h) On 20th December, 2019, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Wan Chai Hotel for a 10-year term commencing on 1st January, 2021.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2023	2022
	HK\$'000	HK\$'000
Accounts receivable	6,511	884
Financial assets included in prepayments, deposits and other receivables	7,487	5,491
Due from related companies	2,228	2,747
Finance lease receivables	7,468	13,819
Restricted cash	330,360	124,354
Cash and cash equivalents	45,877	141,336
	<u>399,931</u>	<u>288,631</u>

Financial liabilities

	Financial liabilities at amortised cost	
	2023	2022
	HK\$'000	HK\$'000
Accounts payable	40,242	70,028
Deposits received	3,049	10,151
Due to related companies	183,722	521
Other payables and accruals	72,125	60,775
Contract liabilities	461	1,096
Interest-bearing bank borrowings	10,340,432	10,181,220
Lease liabilities	7,468	13,819
	<u>10,647,499</u>	<u>10,337,610</u>

29. FAIR VALUE AND FAIR VALUE HIERARCHY

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.

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's non-financial assets:

Assets measured at fair value:

As at 31st December, 2023

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

As at 31st December, 2022

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Property, plant and equipment	—	—	604,000	604,000
Investment properties	—	—	22,949,000	22,949,000
	—	—	23,553,000	23,553,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

The income approach - discounted cash flow analysis was used for the valuation of property, plant and equipment and investment properties, with the following key inputs:

(a) Property, plant and equipment

	Range 2023	Range 2022
Significant unobservable inputs		
Capitalisation rate	3.00%	3.00%
Discount rate	6.00%	6.00%
Growth rate p.a. (Approximately)	2.7% to 13.7%	3.0% to 35.0%
Occupancy rate	94%	89% to 92%
Room rate per day (Approximately)	HK\$900 to HK\$1,500	HK\$800 to HK\$1,600
Gross operating profit (as a % of revenue) (Approximately)	56% to 57%	34% to 55%

(b) Investment properties

	Range 2023	Range 2022
Significant unobservable inputs	Asset Class	
Capitalisation rate	Hotel and commercial	2.5% to 3.25%
Discount rate	Hotel and commercial	5.5% to 7.00%
Growth rate p.a. (Approximately)	Hotel	2.7% to 50.8%
Occupancy rate	Hotel	65% to 95%
Room rate per day (Approximately)	Hotel	60% to 92%
Gross operating profit (as a % of revenue) (Approximately)	Hotel	HK\$700 to HK\$2,100
Estimated rental p.a. (Approximately)	Commercial	HK\$500 to HK\$1,900
	HK\$7,100,000 to HK\$9,300,000	11% to 58%
		HK\$7,000,000 to HK\$9,000,000

Under the income approach - discounted cash flow analysis, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewals and related relettings, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less operating expenses, the FF&E Reserve, building insurance, government rates and rent, base management fees and incentive fees. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated rent, the room rate per day, the occupancy rate and the growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the hotel properties. A significant increase/(decrease) in the capitalisation rate and the discount rate in isolation would result in a significant (decrease)/increase in the fair value of the hotel properties. Generally, a change in the assumption made for the room rate per day is accompanied by a directionally similar change in the growth rate per annum and the discount rate.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The REIT Manager reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. Interest rate risk is managed by the REIT Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

For Hong Kong dollar borrowings, assuming the amount of bank borrowings outstanding at the end of the reporting period was outstanding for the whole year, a 100 basis point increase in interest rates would have hypothetically decreased the Group's profit before tax and distributions to Unitholders for the current year by HK\$104.2 million (2022: HK\$102.7 million). A 10 basis point decrease in interest rates would have hypothetically increased the Group's profit before tax and distributions to Unitholders for the current year by HK\$10.4 million (2022: HK\$10.3 million).

The sensitivity to the interest rates used above is considered reasonable with the other variables held constant.

Credit risk

Credit risk is the potential financial loss which could result from the failure of a tenant or counterparty to settle its financial and contractual obligations to the Group as and when they fall due. The REIT Manager monitors the balances of its lessees on an ongoing basis. Currently, all the investment properties held by the Group are leased to lessees. Cash and fixed deposits are placed with authorised institutions which are regulated. Transactions involving financial instruments are carried out only with authorised institutions with sound credit ratings.

The Group applies the simplified approach for ECLs on accounts receivable. For financial assets included in prepayments, deposits and other receivables, amounts due from related companies, restricted cash, and cash and cash equivalents, they are classified within stage 1 for measurement of ECLs.

The maximum exposure to credit risk is the carrying amounts of such financial assets on the consolidated statement of financial position.

Liquidity risk

The REIT Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. In addition, the REIT Manager observes the REIT Code issued by the SFC concerning limits on total borrowings and monitors the level of borrowings of Regal REIT so that it is within the permitted limits.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2023			Total HK\$'000
	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	
Accounts payable	39,524	718	—	40,242
Deposits received	—	182	2,867	3,049
Due to related companies	—	183,722	—	183,722
Other payables and accruals	—	72,125	—	72,125
Contract liabilities	—	461	—	461
Interest-bearing bank borrowings	—	1,596,383	10,858,827	12,455,210
Lease liabilities	—	6,555	999	7,554
	<u>39,524</u>	<u>1,860,146</u>	<u>10,862,693</u>	<u>12,762,363</u>
	2022			Total HK\$'000
	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	
Accounts payable	69,780	248	—	70,028
Deposits received	—	10,151	—	10,151
Due to related companies	—	521	—	521
Other payables and accruals	—	60,775	—	60,775
Contract liabilities	—	1,096	—	1,096
Interest-bearing bank borrowings	—	3,024,503	9,126,816	12,151,319
Lease liabilities	—	6,555	7,554	14,109
	<u>69,780</u>	<u>3,103,849</u>	<u>9,134,370</u>	<u>12,307,999</u>

Capital management

The objective of the Group is to employ a growth-oriented capital structure to maximise cash flows while maintaining flexibility in funding any future acquisitions. The Group's excess borrowing capacity will be utilised to meet funding requirements relating to acquisitions of properties, as well as capital expenditures for the enhancement of the properties held by the Group.

The Group also adopts a prudent capital management policy to ensure that the leverage ratio will not exceed the threshold percentage under the REIT Code and relevant provisions in the banking facility agreements.

The Group monitors the capital management position using the loan-to-value ratio and the gearing ratio. At the end of the reporting period, the loan-to-value ratios in connection with certain utilised banking facilities ranged from 39.4% to 48.7% (2022: ranged from 39.5% to 53.7%), which were below the thresholds as allowed under the respective banking facility agreements.

At the end of the reporting period, the gearing ratio of Regal REIT was 42.7% (2022: 43.1%), being the gross amount of the outstanding loans aggregating HK\$10,424.9 million (2022: HK\$10,271.0 million), as compared to the total gross assets of Regal REIT of HK\$24,392.3 million (2022: HK\$23,848.5 million). For details of the gross amount of the outstanding loans, refer to note 21 to the financial statements. The gearing ratio is below the maximum 50% permitted under the amended REIT Code which became effective on 4th December, 2020.

31. SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Group	Principal activities
Bauhinia Hotels Limited	Hong Kong	HK\$2	100	Hotel ownership
Cityability Limited	Hong Kong	HK\$10,000	100	Hotel ownership
Gala Hotels Limited	Hong Kong	HK\$2	100	Hotel ownership
Regal Asset Holdings Limited	Bermuda/Hong Kong	US\$12,000	100	Investment holding
Regal Riverside Hotel Limited	Hong Kong	HK\$2	100	Hotel ownership
Rich Day Investments Limited	Hong Kong	HK\$1	100	Financing
Ricobem Limited	Hong Kong	HK\$100,000	100	Hotel ownership
Sonnix Limited	Hong Kong	HK\$2	100	Property ownership
R-REIT International Finance Limited	British Virgin Islands	US\$1	100	Financing
Tristan Limited	Hong Kong	HK\$20	100	Hotel ownership
Wise Decade Investments Limited	Hong Kong	HK\$1	100	Hotel ownership
Land Crown International Limited	Hong Kong	HK\$1	100	Hotel ownership

The above table lists the subsidiaries of Regal REIT which, in the opinion of the REIT Manager, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the REIT Manager, result in particulars of excessive length.



To the Unitholders of 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))

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Regal Real Estate Investment Trust ("Regal REIT") and its subsidiaries (the "Group") set out on pages 68 to 118, which comprise the consolidated statement of financial position as at 31st December, 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets attributable to unitholders, the consolidated statement of cash flows and the distribution statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31st December, 2023, and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<i>Valuations of investment properties and property, plant and equipment</i>	
<p>As at 31st December, 2023, the Group's investment properties and property, plant and equipment were valued at approximately HK\$23.4 billion and HK\$0.6 billion, respectively, which made up, in aggregate, 98.3% of the Group's total assets. The Group engages an external valuer to perform the property valuations for the investment properties and property, plant and equipment on a half-yearly basis. The valuation process is inherently subjective and dependent on a number of assumptions and estimates.</p> <p>The Group's accounting policies and disclosures for the valuations of investment properties and property, plant and equipment are set out in notes 2.4, 3, 11, 12 and 29 to the consolidated financial statements.</p>	<p>With the assistance from our internal valuation specialists, we evaluated the valuation methodology used and the underlying assumptions in connection with the valuations of investment properties and property, plant and equipment of the Group as at 31st December, 2023. The valuations were based on, among others, assumptions on capitalisation rates, discount rates, terminal growth rates, occupancy rates, daily room rates, gross operating profits and estimated annual rentals.</p> <p>We evaluated the competence, capabilities and independence of the external valuer commissioned by the Group. We also assessed the adequacy of disclosures of the valuations of investment properties and property, plant and equipment in the consolidated financial statements.</p>

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The manager of Regal REIT (the "REIT Manager") is responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE REIT MANAGER AND THE AUDIT COMMITTEE OF THE REIT MANAGER FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The REIT Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the REIT Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the REIT Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the REIT Manager either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

In addition, the REIT Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the trust deed dated 11th December, 2006 (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) constituting Regal REIT (the "Trust Deed") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Hong Kong Securities and Futures Commission.

The Audit Committee of the REIT Manager is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager.
- Conclude on the appropriateness of the REIT Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the REIT Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the REIT Manager with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee of the REIT Manager, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON MATTERS UNDER THE RELEVANT PROVISIONS OF THE TRUST DEED AND THE RELEVANT DISCLOSURE PROVISIONS OF APPENDIX C OF THE REIT CODE

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Leung Chi Ying.

Ernst & Young

Certified Public Accountants

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

27th March, 2024

PERFORMANCE TABLE

As at 31st December, 2023

	Notes	Year ended 31st December, 2023	Year ended 31st December, 2022	Year ended 31st December, 2021	Year ended 31st December, 2020	Year ended 31st December, 2019
Net assets attributable to Unitholders (HK\$'million)		13,073.9	12,807.9	12,146.9	11,930.9	14,671.1
Net asset value per Unit attributable to Unitholders (HK\$)		4.014	3.932	3.729	3.663	4.504
The highest traded price during the year (HK\$)	1	1.42	1.52	1.78	2.01	2.52
The lowest traded price during the year (HK\$)		0.54	0.86	1.28	1.11	1.72
The highest discount of the traded price to net asset value per Unit attributable to Unitholders		86.55%	78.13%	65.67%	69.70%	61.81%
Distribution yield per Unit	2	N/A	4.36%	6.01%	9.93%	6.14%

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 on the traded price to net asset value per Unit attributable to Unitholders is presented.
2. (a) This is not applicable as there is no distribution declared by the Board of Directors of the REIT Manager for the year ended 31st December, 2023.
(b) Distribution yield per Unit for the year ended 31st December, 2022 is calculated by dividing the total distributions per Unit of HK\$0.061 over the Unit closing price of HK\$1.40 on the last trading day of 2022. Details of the total distributions per Unit is set out in the section "Distribution Statement" on page 73.

TO THE UNITHOLDERS OF 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))

We hereby confirm that, in our opinion, the Manager of Regal Real Estate Investment Trust ("Regal REIT") has, in all material respects, managed Regal REIT in accordance with the provisions of the Trust Deed dated 11 December 2006 (as amended from time to time) for the period from 1 January 2023 to 31 December 2023.

DB Trustees (Hong Kong) Limited

(in its capacity as trustee of Regal REIT)

Hong Kong, 12 March 2024

VALUATION REPORT



Regal Portfolio Management Limited

(as the Manager of Regal Real Estate Investment Trust ("Regal REIT"))
Unit No.2001, 20/F,
68 Yee Wo Street,
Causeway Bay, Hong Kong

and

DB Trustees (Hong Kong) Limited

(as the Trustee of Regal REIT)
Level 60,
International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

28 February 2024

Dear Sir/Madam,

Re: Valuation of Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, Regal Riverside Hotel, iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel in Hong Kong (collectively the "Properties")

Colliers International (Hong Kong) Limited
Suite 5701
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

T: (852) 2822 0525
F: (852) 2107 6017

EA LICENCE: C-006052

Terms of Engagement

We refer to our terms of engagement requiring us to conduct a valuation of the Properties in which Regal REIT have interests in Hong Kong, for annual reporting purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Values of the Properties, as at 31 December 2023.

Valuation Standards

The valuations have been carried out in accordance with *The HKIS Valuation Standards (2020 Edition)* published by The Hong Kong Institute of Surveyors; and in compliance with the requirements contained in Chapter 5 of the *Rules Governing the Listing of Securities* issued by The Stock Exchange of Hong Kong Limited; and Chapter 6.8 of the Code on Real Estate Investment Trusts issued by The Securities and Futures Commission in August 2022.

Valuer's Interest

We hereby confirm that:

- We have no present or prospective interest in the Properties and are not a related corporation of nor have a relationship with the Manager and the Trustee.
- We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of properties.
- The valuations have been prepared on a fair and unbiased basis.

Valuation Date

The valuation date is 31 December 2023. Due to possible changes in market forces and circumstances in relation to the Properties, the report can only be regarded as representing our opinion of the Properties' values as at the valuation date. We assume that the Properties are in the same conditions on the valuation date as the inspection date.

Valuation Basis

Our valuation is based on Market Value which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Valuers

The valuation has been prepared by Stella Ho, assisted by Candy Tsang. Stella is a Member of the Royal Institution of Chartered Surveyors (Membership No. 1178305), a Member of the Hong Kong Institute of Surveyors (Membership No. 3626) and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region. She is suitably qualified to carry out the valuation and has more than 20 years of experience in the real estate field and in valuing properties of this magnitude and nature.

Candy is a Member of the Royal Institution of Chartered Surveyors (Membership no. 5605293) and an RICS Registered Valuer. She is suitably qualified to carry out the valuation and has more than ten years' experience in the real estate field and valuation of properties of this magnitude and nature.

Neither the valuers nor Colliers International (Hong Kong) Limited are aware of any pecuniary or other conflicts of interest that would affect their ability to give an unbiased and objective opinion of the value of the Properties.

Valuation Assumptions

Our valuations have been made on the assumption that the Properties can be sold on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, or any similar arrangements which would affect their values although they are subject to the existing management agreements and lease agreements.

No allowances have been made in our valuations for any charges, mortgages or amounts owing neither on the Properties nor for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from and clear of any charges, liens and encumbrances of an onerous nature likely to affect value.

We have made the following assumptions:

- All information on the Properties provided by the Manager is correct.
- Proper ownership titles of and relevant planning approvals for the Properties have been obtained, all payable land premiums, land-use rights fees and other relevant fees have been fully settled and the Properties can be freely transferred, sub-let, mortgaged or otherwise disposed of.
- We have been provided with the tenancy schedules, a standard Tenancy Agreement and a Licence Agreement by the Manager. We have not examined the lease documents for each specific tenancy and our assessment is based on the assumption that all leases are executed and are in accordance with the provisions stated in the tenancy schedules provided to us. Moreover, we assume that the tenancies are valid, binding and enforceable.
- Unless otherwise stated, we have not carried out any valuation on a redevelopment basis, nor the study of possible alternative options.
- No acquisition costs or disposal costs have been taken into account in the valuations.
- The Government Leases will be renewed upon expiry on normal terms.

Valuation Approaches and Methods

We have adopted the Income Approach – Discounted Cash Flow (“DCF”) Analysis in our valuations. This approach is defined in the International Valuation Standards as a financial modelling technique based on explicit assumptions regarding the prospective cash flows from income-generating properties. This analysis involves projecting a series of periodic cash flows for an income-generating property. To this projected cash flow series, an appropriate discount rate is applied to indicate the present value of the rental income stream associated with the property.

As the Properties are held for long-term investment, we have undertaken the DCF Analysis on an annual basis over a ten-year investment horizon which is a common market practice and a reasonable investment holding period for the Properties based on the prevailing property market in Hong Kong. This ten-year analysis allows the stabilisation of income over such a period and an investor or owner to assess the long-term return of the Properties taking into account capital growth.

In the case of our valuations of the Properties, the annual cash flows of the Properties are typically estimated as their gross income less operating expenses and other outgoings. The annual gross income over the ten-year period mainly included revenues generated from hotel rooms taking into account the projected annual occupancy rate and annual growth in daily room rate.

The series of periodic net cash flow, along with an estimate of the reversionary or terminal value anticipated at the end of the projection period, is then discounted by a discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value.

We have assumed that the Properties are sold at the commencement of the eleventh year of the cash flow. This is a common market practice to derive the capital value at the end of the investment period, and the net cash flow in the eleventh year has been capitalised by a terminal capitalisation rate to derive the capital value, which is discounted by the discount rate into present value, at the end of the tenth year.

This analysis has then been cross-checked by the Market Approach assuming sale of the Properties in their existing state and referring to comparable sale transactions as available in the relevant market. By analysing sale transactions that qualify as ‘arms-length’ transactions, between willing buyers and sellers, relevant adjustments are made when comparing such sale transactions against the Properties.

Inspections, Investigations and Sources of Information

An external and internal inspection of the Properties, befitting this valuation, was undertaken by Stella Ho and Candy Tsang on 24 and 25 January 2024. We have made enquiries and obtained such information we consider necessary to undertake the valuation.

Information has been obtained from various sources including the Manager, public domain and our own databases and has been verified as far as is reasonable. We have assumed all such information to be true and accurate for the purposes of this valuation.

No on-site measurements have been taken to verify the correctness of site areas. We have assumed that the site areas shown on the documents provided to us are correct.

No structural or environmental surveys have been carried out. Services and facilities have not been tested.

We have made enquiries and relevant searches at the Land Registry. However, we have not sighted the original documents and are therefore not aware of any possible amendments that are not shown on the documents available to us.

Currency

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong dollars (HKD).

Confidentiality and Non-Disclosure

This report and our valuations are for the use of the REIT Manager and the Trustee of Regal REIT and the report is for the use only of the parties to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of these valuations.

Colliers International (Hong Kong) Limited similarly undertakes to keep all information relating to this valuation report confidential and will not publish or refer to it without the prior written consent of the Manager.

Valuation Summary and Valuation Particulars are attached hereto and together with this covering letter form our valuation report.

Yours sincerely,
For and on behalf of

Colliers International (Hong Kong) Limited

Stella Ho

BSSc (Hons) MSc MRICS MHKIS RPS (GP) MCIREA

Registered Real Estate Appraiser PRC

Executive Director

Valuation and Advisory Services

VALUATION SUMMARY

No.	Property	Market Value in existing state as at 31 December 2023 (HKD)
1	Regal Airport Hotel 9 Cheong Tat Road Hong Kong International Airport Chek Lap Kok New Territories Hong Kong	1,429,000,000
2	Regal Hongkong Hotel 88 Yee Wo Street Causeway Bay Hong Kong	4,322,000,000
3	Regal Kowloon Hotel 71 Mody Road Tsim Sha Tsui Kowloon Hong Kong	5,953,000,000
4	Regal Oriental Hotel 30-38 Sa Po Road and Shops 3-11 on Ground Floor including Cockloft of Shops 5-7 and the whole of 1/F Po Shing Court 21-25 Shek Ku Lung Road 40-42 Sa Po Road and 15-29 Carpenter Road Kowloon City Kowloon Hong Kong	1,805,000,000
5	Regal Riverside Hotel 34-36 Tai Chung Kiu Road Shatin New Territories Hong Kong	5,146,000,000

No.	Property	Market Value in existing state as at 31 December 2023 (HKD)
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	833,000,000
7	iclub Sheung Wan Hotel 138 Bonham Strand Sheung Wan Hong Kong	1,579,000,000
8	iclub Fortress Hill Hotel 18 Merlin Street North Point Hong Kong	1,560,000,000
9	iclub To Kwa Wan Hotel 8 Ha Heung Road Kowloon Hong Kong	1,361,000,000
Total:		23,988,000,000

Property 1

REGAL AIRPORT HOTEL

9 Cheong Tat Road
Hong Kong International Airport
Chek Lap Kok
New Territories, Hong Kong

Portion of the Remaining Portion of Chek Lap Kok Lot No. 1 and the Extension thereto

1. Property Description

Regal Airport Hotel ("RAH") is a 14-storey (including a basement floor) High Tariff A hotel completed in 1999. There are currently 1,171 rooms and suites after the completion of an Asset Enhancement Programme in October 2007.

RAH is connected to the passenger terminal of the Hong Kong International Airport ("HKIA") by an air-conditioned footbridge on the 2nd Floor near AsiaWorld Expo, a few minutes' walk away. The immediate locality of RAH comprises mainly the airport's support facilities, carpark, and passenger terminals.

Site Area	:	10,886 sq. m.
Gross Floor Area	:	71,988 sq. m.
Covered Floor Area	:	Approx. 83,400 sq. m.
Town Planning Zoning	:	"Commercial" zone under Approved Chek Lap Kok Outline Zoning Plan No. S/I-CLK/16 dated 20 January 2023.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
Standard Room	173	Spa Deluxe Room	14
Superior Room	324	Spa Cabana Room	5
Deluxe Room	45	Spa Suite	2
Prime Deluxe Room	99	Honeymoon Suite	1
Premier Room	66	Royal Suite	11
Theme Room	6	Spa Duplex Suite	2
Cabana Room	17	Deluxe Suite	15
Family Triple Room	23	Apartment Suite	8
Family Quadruple Room	199	Theme Suite	1
Executive Club Floor Superior Room	68	Presidential Suite	1
Executive Club Floor Deluxe Room	91		
		Total	1,171

Notes: The room sizes range from 21 sq. m. to 318 sq. m.

Food and Beverage Outlets

Floor	Name of Outlet	Type of Facility	Seating Capacity (approx.)	
			Area (sq. m.)	No. of normal dining seating
G/F	Café Aficionado	International Buffet and Asian Specialities	869	384
G/F	The China Coast Bar + Grill	American Steakhouse	630	230
G/F	Dragon Inn	Shanghainese Cuisine	359	182
G/F	Airport Izakaya	Japanese Cuisine	310	100
1/F	Rouge	Cantonese Cuisine	480	260
2/F	Regala Café & Dessert Bar	Desserts and Drinks	326	94

Meeting and Banquet Facilities

Floor	Name of Function Room	Type of Facility	No. of Rooms	Seating Capacity (approx.)		
				Area (sq. m.)	No. of seating in Theatre/ Boardroom Style	Banquet Style
B/F	Pre-function Area and Meeting Rooms	Conference and Exhibition	13	815	783	512
1/F	Ballroom	Banquet/Convention	1	1,050	1,500	960
1/F	Multi-purpose Function Rooms	Meeting and Conference	7	572	403	252
2/F	Meeting Rooms	Meeting and Conference	3	100	38	N/A
9/F	Meeting Room	Meeting and Conference	4	234	136	N/A

Other Facilities

Other facilities include an outdoor and an indoor swimming pool, a health club with a gymnasium, massage and spa facilities, a business centre and some retail spaces.

2. Ownership and Tenure

Lot Numbers	:	The Remaining Portion of Chek Lap Kok Lot No. 1 and the Extension thereto
Lease Terms	:	Held under New Grant No. IS7996 for a term commencing on 1 December 1995 and expiring on 30 June 2047, and has been extended for a term commencing on 1 July 2047 and expiring on 30 August 2071
Registered Owner	:	Airport Authority ¹
Major Encumbrances	:	<ul style="list-style-type: none"> Sub-Lease of Hotel in favour of Bauhinia Hotels Limited dated 12 August 2004, registered vide Memorial No. IS342341. The term of the Sub-Lease commenced from 31 December 2003 until the date occurring 25 years thereafter.

¹ The Hotel is sub-leased in favour of Bauhinia Hotels Limited for a term commencing from 31 December 2003 until the date occurring 25 years thereafter.

- Supplemental Lease (To Sub-Lease of Hotel Memorial No. IS342341) in favour of Bauhinia Hotels Limited dated 8 November 2006, registered vide Memorial No. 06112400700018.
- Lease Agreement (No. 1 for Regal Airport Hotel) in favour of Favour Link International Limited dated 16 March 2007, registered vide Memorial No. 07041300910065. (Remarks: By Bauhinia Hotels Limited from 30th Day of March 2007 to 31st Day of December 2015).
- First Supplemental Agreement amending Lease Agreement No. 1 for Regal Airport Hotel in favour of Favour Link International Limited dated 12 February 2010, registered vide Memorial No. 10052602510099. (Remarks: By Bauhinia Hotels Limited).
- G.N. 2762 dated 26.4.2012 under Roads (works, use and compensation) Ordinance (Chapter 370) dated 26 April 2012, registered vide Memorial No. 12051002590012. (Remarks: with plans No. ISM1731A-1 (re portion), re: PWP Item No. 834th Hong Kong-Zhuhai-Macao Bridge Hong Kong boundary crossing facilities).
- G.N. 2764 dated 26.4.2012 under Roads (works, use and compensation) Ordinance (Chapter 370) dated 26 April 2012, registered vide Memorial No. 12051002590024. (Remarks: with plan Nos. ISM1734B-I and ISM1732B-I (re portion) for creation of easements and other permanent rights and rights of temporary occupation of land. Re: PWP item No. 834th Hong Kong-Zhuhai-Macao Bridge Hong Kong boundary crossing facilities).
- G.N. 2761 dated 26.4.2012 under Roads (works, use and compensation) Ordinance (Chapter 370) dated 26 April 2012, registered vide Memorial No. 12051002590037. (Remarks: with plans No. ISM1741A (re portion), re: PWP item No. 844th Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road).
- G.N. 2763 dated 26.4.2012 under Roads (works, use and compensation) Ordinance (Chapter 370) dated 26 April 2012, registered vide Memorial No. 12051002590049. (Remarks: with plans nos. ISM1742A and ISM1757A for creation of easements and other permanent rights and rights of temporary occupation of land. Re: PWP item No. 844th Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road).

- G.N. 6022 dated 10.10.2013 under Roads (works, use and compensation) Ordinance (Chapter 370) with plan dated 10 October 2013, registered vide Memorial No. 13102500820010. (Remarks: re portion, re: PWP Item No. 834th Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities Creation of Rights of Temporary Occupation of Land).
- Consent Letter dated 19 November 2013, registered vide Memorial No. 13120201030063. (Remarks: from District Lands Officer, Islands).
- Second Supplemental Deed amending Lease Agreement No. 1 for Regal Airport Hotel in favour of Favour Link International Limited dated 12 March 2015, registered vide Memorial No. 15042302380228. (Remarks: By Bauhinia Hotels Limited).
- Consent Letter with plan date 6 November 2015, registered vide Memorial No. 15112001200210. (Remarks: from District Lands Officer, Islands).
- Consent Letter with Plan dated 23 February 2017, registered vide Memorial No. 17022300740027. (Remarks: from District Lands Officer, Islands).
- Third Supplemental Deed amending Lease Agreement No.1 for Regal Airport Hotel in favour of Favour Link International Limited dated 20 December 2019, registered vide Memorial No. 20041601820093.
- Particulars and Conditions of Extension of Lease Term dated 31 August 2021, registered vide Memorial No. 21092102780018 (Remarks: For a term of years commencing on the 1st day of July 2047 and Expiring on the 30th day of August 2071).
- Mortgage and Assignment of Rights in favour of Hang Seng Bank Limited dated 10 September 2021, registered vide Memorial No. 21092902710345. (Remarks: by Bauhinia Hotels Limited).

3. Hotel Operation

Hotel Performance in 2023

Occupancy Rate : 49%

Average Room Rate : HKD1,191

Lease Agreement

Lessor : Bauhinia Hotels Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from 30 March 2007 (the "Listing Date") and expiring on 27 December 2028 (both days inclusive).

Rental

From 2011 to 2028, the Market Rent² to be determined (the "Market Rental Package Determination") in accordance with the Lease Agreement, subject to a Floor Rent of HKD175,000,000 per annum out of a total Floor Rent of HKD400,000,000 for all five Initial Hotels³.

According to the 2023 and 2024 Market Rental Package Determinations, Base Rent for RAH for the fiscal years of 2023 and 2024 are both HKD175,000,000; and the Variable Rent is 50% of the excess of the aggregate NPI of the five Initial Hotels over the aggregate Base Rent of the Initial Hotels for the respective years, which portion shall be the proportion by which the excess NPI of this hotel bears to the aggregate excess NPI of all the Initial Hotels.

Hotel Management Agreement ("HMA")

Hotel Manager : Regal Hotels International Limited

Term of HMA : Twenty (20) years from the Listing Date

Base Fee : One percent (1%) of Gross Revenue⁴ (for so long as the Lease Agreement is in subsistence); or
Two percent (2%) of Gross Revenue (for other cases during the Operating Term)

Incentive Fee : One percent (1%) of the excess of the Adjusted GOP⁵ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or
Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

² According to the Lease Agreement, the Market Rent to be determined includes the Base Rent, Variable Rent and the Lessee's contribution to the FF&E Reserve.

³ Namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel.

⁴ According to the Hotel Management Agreement, "Gross Revenue" means all revenue derived from the Hotel.

⁵ According to the Hotel Management Agreement, "Adjusted GOP" means the aggregate of Gross Operating Profit and Net Rental Income.

4. Retail Tenancy/Licence Schedules

Retail⁶

Retail Area (Lettable)	:	Approx. 38,030 sq. ft. (3,533 sq. m.)
Occupied Area (Lettable)	:	Approx. 19,878 sq. ft. (1,847 sq. m.)
Vacant Area (Lettable)	:	Approx. 18,152 sq. ft. (1,686 sq. m.)
Occupancy Rate	:	52.3%
Monthly Base Rent	:	HKD1,234,148 (All tenancies except two are exclusive of rates, management fees and air-conditioning charges; the remaining tenancies are inclusive of management fees and air-conditioning charges, but exclusive of rates.)

Tenancy Expiry Profile

Year	Lettable Area		Monthly Rent		No. of Tenancy	
	(sq. ft.)	% of Total	(HKD)	% of Total		% of Total
Year Ending 2023	4,662	23.5%	186,480	15.1%	1	10%
Year Ending 2024	14,035	70.6%	1,009,582	81.8%	8	80%
Year Ending 2026	1,181	6.0%	38,086	3.1%	1	10%
Total	19,878	100% (rounded)	1,234,148	100% (rounded)	10	100% (rounded)

Tenancy Duration Profile

Tenancy Duration	Lettable Area		Monthly Rent		No. of Tenancy	
	(sq. ft.)	% of Total	(HKD)	% of Total		% of Total
Up to 1 year	5,699	28.7%	549,600	44.5%	4	40%
More than 1 year and up to 2 years	4,662	23.5%	186,480	15.1%	1	10%
More than 2 years and up to 3 years	9,517	47.9%	498,068	40.4%	5	50%
Total	19,878	100% (rounded)	1,234,148	100% (rounded)	10	100% (rounded)

⁶ The areas quoted exclude spaces which are used by RAH.

Latest Expiry Date	:	10 March 2026
Range of Rent-free Period	:	0 to 10.5 months
Option to Renew	:	One of the tenancies have an option to renew for a further term of three years.
Summary of Terms	:	The Landlord ⁷ is responsible for payment of Government Rent and the structural and external repairs while the Tenant is responsible for the internal repairs of the occupied area.

Licences for Mobile Phone Base Stations, Antennae, Signage Spaces and Poster Stand(s)

Number of Licences	:	4
Monthly Licence Fee	:	HKD212,520 per month
Latest Expiry Date	:	14 February 2025

5. Estimated Net Property Yield⁸

12.2%

6. Market Value in existing state as at 31 December 2023

HKD1,429,000,000 (Hong Kong Dollars One Billion Four Hundred and Twenty-Nine Million)

⁷ All tenancy agreements/licences are entered into by Favour Link International Ltd as Landlord.

⁸ The Estimated Net Property Yield of RAH is derived from the rent receivable in 2023 divided by the Market Value.

Property 2

REGAL HONGKONG HOTEL

88 Yee Wo Street
Causeway Bay, Hong Kong

Sections C, D, E, F, G, H, I, J, L, M and the Remaining Portion of Inland Lot No. 1408

1. Property Description

Regal Hongkong Hotel ("RHK") is a 38-storey (including 4 basement floors) High Tariff A hotel completed in 1993, providing 481 rooms and suites. Most rooms command views of Victoria Park. RHK also comprises ancillary hotel spaces on the portions of Ground Floor to 3rd Floor of 68 Yee Wo Street⁹.

RHK is located in Causeway Bay, one of the major shopping areas in Hong Kong, where the immediate developments are predominately for retail and office uses.

Site Area	:	1,176 sq. m.
Gross Floor Area	:	25,090 sq. m. ¹⁰
Covered Floor Area	:	Approx. 32,000 sq. m. ¹¹
Town Planning Zoning	:	"Commercial" zone under Approved Causeway Bay Outline Zoning Plan No. S/H6/17 dated 18 January 2019.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
Standard Room	34	Executive Club Floor Deluxe Room	36
Superior Room	114	Executive Suite	20
Deluxe Room	101	Deluxe Suite	8
Prime Deluxe Room	18	Presidential Suite	1
Premier Room	6	Imperial Suite	1
Family Triple Room	115	Chairman Suite	1
Family Quadruple Room	12	Regal Royale Suite	2
Executive Club Floor Superior Room	12		
		Total	481

Notes: The room sizes range from 22 sq. m. to 154 sq. m.

⁹ The owner of RHK has also rented some spaces on G/F to 3/F of 68 Yee Wo Street. The first tenancy is related to hotel ancillary use of 10,510 sq. ft. (976 sq. m.) lettable area. The current monthly rent is HKD453,871 with expiration on 1 March 2025. The second tenancy is related to Shops No. 301 to 304 on the Third Floor with a lettable area of 3,437 sq. ft. (319 sq. m.). The term is three years commencing from 16 January 2022 with a monthly rent of HKD92,346.

¹⁰ Area excludes the rented space

¹¹ Area excludes the rented space

Food and Beverage Outlets

Floor	Name of Outlet	Type of Facility	Seating Capacity (approx.)	
			Area (sq. m.)	No. of normal dining seating
G/F	Tiffany Lounge	Snacks and Drinks	137	50
1/F	Café Rivoli	International Cuisine & Buffet	376	200
3/F	Regal Palace	Cantonese Cuisine	752	500
31/F	Alto 88	Italian Cuisine	214	120

Meeting and Banquet Facilities

Floor	Name of Function Room	Type of Facility	No. of Rooms	Seating Capacity (approx.)		
				Area (sq. m.)	Boardroom Style	Banquet Style
2/B	Multi-purpose Function Rooms	Banquet/Convention	5	343	260	216
1/B	Ballroom	Banquet/Convention	1	239	239	228
1/B	Multi-purpose Function Rooms	Banquet/Convention	3	194	180	132
3/F	Meeting Rooms	Banquet/Convention	6	336	273	228

Other Facilities

Other facilities include a gymnasium and an outdoor swimming pool.

2. Ownership and Tenure

Lease Terms	:	The Inland Lot No. 1408 is held under a Government Lease for a term of 999 years commencing from 25 December 1884.
Registered Owner	:	Cityability Limited
Major Encumbrances	:	<ul style="list-style-type: none"> • Deed of Restrictive Covenant dated 13 May 1992, registered vide Memorial No. UB5287070. • Deed of Covenant and Grant of Right of Way and Easements and Management Agreement dated 13 May 1992, registered vide Memorial No. UB5287071. • Statutory Declaration as to Loss of Title Deeds dated 21 March 2000, registered vide Memorial No. UB8033163. • Lease Agreement (No. 2 for Regal Hongkong Hotel) in favour of Favour Link International Limited dated 16 March 2007, registered vide Memorial No. 07041300910073.

- First Supplemental Agreement amending Lease Agreement No. 2 for Regal Hongkong Hotel in favour of Favour Link International Limited dated 12 February 2010, registered vide Memorial No. 10052602510109.
- Second Supplemental Deed amending Lease Agreement No. 2 for Regal Hongkong Hotel in favour of Favour Link International Limited dated 12 March 2015, registered vide Memorial No. 15042302380234.
- Third Supplemental Deed amending Lease Agreement No.2 for Regal Hongkong Hotel in favour of Favour Link International Limited dated 20 December 2019, registered vide Memorial No. 20041601820103.
- Cityability Debenture in favour of Hang Seng Bank Limited dated 10 September 2021, registered vide Memorial No. 21092902710364.

3. Hotel Operation

Hotel Performance in 2023

Occupancy Rate : 76%

Average Room Rate : HKD1,067

Lease Agreement

Lessor : Cityability Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from the Listing Date and expiring on 31 December 2030 (both days inclusive)

Rental

From 2011 to 2030, the Market Rent¹² to be determined (the "Market Rental Package Determination") in accordance with the Lease Agreement, subject to a Floor Rent of HKD60,000,000 per annum out of a total Floor Rent of HKD400,000,000 for all five Initial Hotels¹³.

According to the 2023 and 2024 Market Rental Package Determinations, Base Rent for RHK for the fiscal years of 2023 and 2024 are HKD66,000,000 and HKD90,000,000 respectively; and the Variable Rent is 50% of the excess of the aggregate NPI of the five Initial Hotels over the aggregate Base Rent of the Initial Hotels for the respective years, which portion shall be the proportion by which the excess NPI of this hotel bears to the aggregate excess NPI of all the Initial Hotels.

¹² According to the Lease Agreement, the Market Rent to be determined includes the Base Rent, Variable Rent and the Lessee's contribution to the FF&E Reserve.

¹³ Namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel.

Hotel Management Agreement (“HMA”)

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	Twenty (20) years from the Listing Date
Base Fee	:	One percent (1%) of Gross Revenue ¹⁴ (for so long as the Lease Agreement is in subsistence); or Two percent (2%) of Gross Revenue (for other cases during the Operating Term)
Incentive Fee	:	One percent (1%) of the excess of the Adjusted GOP ¹⁵ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

4. Licence Schedules

Licences for Installation of Mobile Radio Equipment and Integrated Radio System (“IRS”)

Number of Licences	:	2
Monthly Licence Fee	:	HKD150,300 per month
Latest Expiry Date	:	30 April 2026

5. Estimated Net Property Yield¹⁶

1.5%

6. Market Value in existing state as at 31 December 2023

HKD4,322,000,000 (Hong Kong Dollars Four Billion Three Hundred and Twenty-Two Million)

¹⁴ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

¹⁵ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

¹⁶ The Estimated Net Property Yield of RHK is derived from the rent receivable in 2023 divided by the Market Value.

Property 3

REGAL KOWLOON HOTEL

71 Mody Road
Tsim Sha Tsui, Kowloon, Hong Kong

Kowloon Inland Lot No. 10474

1. Property Description

Regal Kowloon Hotel ("RKH") is a 20-storey (including 4 basement floors) High Tariff A hotel completed in 1982. Most of the rooms command an open view of Centenary Garden. There are retail shops and restaurants from the Ground Floor to the 2nd Floor and 1st Basement to 3rd Basement.

RKH is located at Tsim Sha Tsui, a renowned commercial and tourist area. The immediate locality is predominately occupied by hotel, retail and office developments.

Site Area	:	2,560 sq. m.
Gross Floor Area	:	31,746 sq. m.
Covered Floor Area	:	Approx. 43,500 sq. m.
Town Planning Zoning	:	"Commercial" zone under Approved Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 dated 13 December 2013.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
Standard Room	41	Executive Club Floor Deluxe Room	147
Superior Room	39	Executive Club Floor Premier Room	29
Deluxe Room	27	Executive Suite	12
Prime Deluxe Room	36	Royal Suite	10
Premier Room	144	Deluxe Suite	16
Executive Club Floor Superior Room	98	Presidential Suite	1
		Total	600

Notes: The room sizes range from 19 sq. m. to 140 sq. m.

Food and Beverage Outlets

Floor	Name of Outlet	Type of Facility	Seating Capacity (approx.)	
			Area (sq. m.)	No. of normal dining seating
1/B	Café Allegro	International Seafood Buffets	350	186
G/F	V Bar & Lounge ¹⁷	Snacks and Cocktails	89	56
1/F	Mezzo	American Italian Cuisine	199	90
2/F	Regal Court	Chinese Cuisine	673	266

Meeting and Banquet Facilities

Floor	Name of Function Room	Type of Facility	No. of Rooms	Seating Capacity (approx.)		
				Area (sq. m.)	No. of seating in Theatre/Boardroom Style	Banquet Style
2/F	Multi-purpose Function Rooms	Banquet/Convention	6	331	260	240
3/F	Ballroom	Banquet/Convention	1	353	353	360
3/F	Multi-purpose Function Rooms	Banquet/Convention	6	665	360	336

Other Facilities

Other facilities include a fitness room and a shopping arcade.

2. Ownership and Tenure

Lease Terms	:	The Kowloon Inland Lot No. 10474 is held by the Government under Conditions of Sale No. 10983 for a term of 75 years commencing from 28 December 1976 and renewable for a further term of 75 years.
Registered Owner	:	Ricobem Limited

¹⁷ Additional outdoor seating areas are provided on the G/F.

Major Encumbrances

- Letter of Compliance from District Lands Office Kowloon West Kowloon Government Offices to Paliburg Project Management Limited dated 6 July 1982, registered vide Memorial No. UB3990407.
- Statutory Declaration as to Loss of Title Deeds dated 21 March 2000, registered vide Memorial No. UB8033162.
- Lease Agreement (No. 3 for Regal Kowloon Hotel) in favour of Favour Link International Limited dated 16 March 2007, registered vide Memorial No. 07041300910082. (Remarks: For the period commencing from 30 March 2007 to 31 December 2015).
- First Supplemental Agreement amending Lease Agreement No. 3 for Regal Kowloon Hotel in favour of Favour Link International Limited dated 12 February 2010, registered vide Memorial No. 10052602510128.
- Second Supplemental Deed amending Lease Agreement No. 3 for Regal Kowloon Hotel in favour of Favour Link International Limited dated 12 March 2015, registered vide Memorial No. 15042302380241.
- Third Supplemental Deed amending Lease Agreement No.3 for Regal Kowloon Hotel in favour of Favour Link International Limited dated 20 December 2019, registered vide Memorial No. 20041601820111.
- Debenture and Mortgage in favour of Industrial and Commercial Bank of China (Asia) Limited dated 30 June 2022, registered vide Memorial No. 22070702330270.
- Assignment of Rentals and Receivables in favour of Industrial and Commercial Bank of China (Asia) Limited dated 30 June 2022, registered vide Memorial No. 22070702330282.

3. Hotel Operation

Hotel Performance in 2023

Occupancy Rate : 82%

Average Room Rate : HKD946

Lease Agreement

Lessor : Ricobem Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from the Listing Date and expiring on 31 December 2030 (both days inclusive).

Rental

From 2011 to 2030, the Market Rent¹⁸ to be determined (the “Market Rental Package Determination”) in accordance with the Lease Agreement, subject to a Floor Rent of HKD65,000,000 per annum out of a total Floor Rent of HKD400,000,000 for all five Initial Hotels¹⁹.

According to the 2023 and 2024 Market Rental Package Determinations, Base Rent for RKH for the fiscal years of 2023 and 2024 are HKD99,000,000 and HKD116,000,000 respectively; and the Variable Rent is 50% of the excess of the aggregate NPI of the five Initial Hotels over the aggregate Base Rent of the Initial Hotels for the respective years, which portion shall be the proportion by which the excess NPI of this hotel bears to the aggregate excess NPI of all the Initial Hotels.

Hotel Management Agreement (“HMA”)

Hotel Manager : Regal Hotels International Limited

Term of HMA : Twenty (20) years from the Listing Date

Base Fee : One percent (1%) of Gross Revenue²⁰ (for so long as the Lease Agreement is in subsistence); or
Two percent (2%) of Gross Revenue (for other cases during the Operating Term)

Incentive Fee : One percent (1%) of the excess of the Adjusted GOP²¹ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or
Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

¹⁸ According to the Lease Agreement, the Market Rent to be determined includes the Base Rent, Variable Rent and the Lessee’s contribution to the FF&E Reserve.

¹⁹ Namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel.

²⁰ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

²¹ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

4. Retail Tenancy/Licence Schedules

Retail²²

Retail Area (Lettable)	:	Approx. 42,383 sq. ft. (3,938 sq. m.)
Occupied Area (Lettable)	:	Approx. 27,187 sq. ft. (2,526 sq. m.)
Vacant Area (Lettable)	:	Approx. 15,196 sq. ft. (1,412 sq. m.)
Occupancy Rate	:	64.1%
Monthly Base Rent	:	HKD1,243,972 (Three of the tenancies are exclusive of rates but inclusive of management fees and air-conditioning charges; the remaining tenancies are exclusive of management fees, air-conditioning charges and rates.)

Tenancy Expiry Profile

Year	Lettable Area		Monthly Rent		No. of Tenancy	
	(sq. ft.)	% of Total	(HKD)	% of Total		% of Total
Year Ending 2024	3,104	11.4%	226,589	18.2%	4	33.3%
Year Ending 2025	4,548	16.7%	239,540	19.3%	2	16.7%
Year Ending 2026	19,535	71.9%	777,843	62.5%	6	50.0%
Total	27,187	100% (rounded)	1,243,972	100% (rounded)	12	100% (rounded)

Tenancy Duration Profile

Tenancy Duration	Lettable Area		Monthly Rent		No. of Tenancy	
	(sq. ft.)	% of Total	(HKD)	% of Total		% of Total
Up to 1 year	3,104	11.4%	226,589	18.2%	4	33.3%
More than 1 year and up to 2 years	4,548	16.7%	239,540	19.3%	2	16.7%
More than 2 years and up to 3 years	19,363	71.2%	774,343	62.2%	5	41.7%
More than 3 years and up to 4 years	172	0.6%	3,500	0.3%	1	8.3%
Total	27,187	100% (rounded)	1,243,972	100% (rounded)	12	100% (rounded)

²² The areas quoted exclude spaces which are used by RKH.

Latest Expiry Date	:	16 August 2026
Range of Rent-free Period	:	0 to 5 months
Summary of Terms	:	The Landlord ²³ is responsible for payment of Government Rent and the structural and external repairs while the Tenant is responsible for the internal repairs of the occupied area.

Licences for Mobile Phone Base Stations, Antennae, Signage Spaces and Poster Stand(s)

Number of Licences	:	6
Monthly Licence Fee	:	HKD146,642 per month
Latest Expiry Date	:	30 November 2026

5. Estimated Net Property Yield²⁴

1.7%

6. Market Value in existing state as at 31 December 2023

HKD5,953,000,000 (Hong Kong Dollars Five Billion Nine Hundred and Fifty-Three Million)

²³ All tenancy agreements/licences are entered into by Favour Link International Ltd as Landlord.

²⁴ The Estimated Net Property Yield of RKH is derived from the rent receivable in 2023 divided by the Market Value.

Property 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 Floor
Po Sing Court, 21-25 Shek Ku Lung Road, 40-42 Sa Po Road and 15-29 Carpenter Road
Kowloon City, Kowloon, Hong Kong**

New Kowloon Inland Lot No. 5754 and 41/180th undivided shares of and in New Kowloon
Inland Lot No. 4917

1. Property Description

Regal Oriental Hotel ("ROH") is a 17-storey (including two basement floors) High Tariff B hotel completed in 1982. The hotel currently comprises 494 guestrooms and suites after the completion of the asset enhancement programme in 2007 and the conversion projects in 2013.

ROH also comprises nine shop units on the Ground Floor (with three units that have cocklofts), and the 1st Floor in an adjacent 14-storey building ("Po Sing Court") which was completed in 1967. The 1st Floor of Po Sing Court is for back-of-house uses.

ROH is located in Kowloon City and faces the former Hong Kong International Airport at Kai Tak Area, where a complex development project with a mix of community, housing, business and tourism uses is under construction.

Site Area	:	New Kowloon Inland Lot No. 5754 (Regal Oriental Hotel) – 1,797 sq. m. New Kowloon Inland Lot No. 4917 (Po Sing Court) – 741 sq. m.
Gross Floor Area	:	22,601 sq. m.
Covered Floor Area	:	Approx. 27,300 sq. m.
Town Planning Zoning	:	ROH falls within "Commercial" zone and Po Sing Court falls within "Residential (Group A) 2" zone under Approved Ma Tau Kok Outline Zoning Plan No. S/K10/30 dated 8 September 2023.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
Standard Room	55	Family Quadruple Room	32
Superior Room	114	Executive Club Floor Superior Room	55
Deluxe Room	22	Executive Club Floor Deluxe Room	45
Prime Deluxe Room	71	Executive Suite	14
Premier Room	23	Deluxe Suite	10
Family Triple Room	52	Presidential Suite	1
		Total	494

Notes: The room sizes range from 12 sq. m. to 105 sq. m.

Food and Beverage Outlets

Floor	Name of Outlet	Type of Facility	Seating Capacity (approx.)	
			Area (sq. m.)	No. of normal dining seating
1/B	Café Neo	International Cuisine & Buffet	536	298
G/F	The China Coast Pub + Restaurant ²⁵	Pub & Restaurant	155	72
G/F	Avanti Pizzeria	Italian Cuisine	185	90
G/F	Regal Patisserie	Cake & Dessert	29	20
2/F	Regal Terrace	Cantonese Cuisine	427	300

Meeting and Banquet Facilities

Floor	Name of Function Room	Type of Facility	No. of Rooms	Seating Capacity (approx.)		
				Area (sq. m.)	No. of seating in Theatre/ Boardroom Style	Banquet Style
1/F	Ballroom	Banquet/Convention	1	345	250	300
1/F	Multi-purpose Function Rooms	Banquet/Convention	7	302	294	204

Other Facilities

Other facilities include a fitness room and retail spaces.

2. Ownership and Tenure

Lease Terms	:	<p>New Kowloon Inland Lot No. 5754 is held by the Government under Conditions of Sale No. 11240 for a term of 99 years less the last three days commencing from 1 July 1898 and has been statutorily extended to 30 June 2047.</p> <p>New Kowloon Inland Lot No. 4917 is held by the Government under Conditions of Sale No. 8785 for a term of 99 years less the last three days commencing from 1 July 1898 and has been statutorily extended to 30 June 2047.</p>
Registered Owner	:	Gala Hotels Limited

²⁵ Additional outdoor seating areas are provided on the G/F.

Major Encumbrances

:

New Kowloon Inland Lot No. 5754 (Regal Oriental Hotel)

- Deed of Grant of Easement with Plan dated 23 June 1981, registered vide Memorial No. UB2111189.
- Modification Letter dated 26 August 1981, registered vide Memorial No. UB2144106.
- Letter of Compliance from District Lands Office Kowloon West to Paliburg Project Management Limited dated 27 July 1982, registered vide Memorial No. UB3990406.
- Statutory Declaration as to Loss of Title Deeds dated 21 March 2000, registered vide Memorial No. UB8033164.
- Lease Agreement (No. 4 for Regal Oriental Hotel) in favour of Favour Link International Limited dated 16 March 2007, registered vide Memorial No. 07041300910095. (Remarks: For the period commencing from 30 March 2007 to 31 December 2015)
- First Supplemental Agreement amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited dated 12 February 2010, registered vide Memorial No. 10052602510111.
- Second Supplemental Deed amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited dated 12 March 2015, registered vide Memorial No. 15042302380254.
- Third Supplemental Deed amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited dated 20 December 2019, registered vide Memorial No. 20041601820121.
- Gala Debenture in favour of Hang Seng Bank Limited dated 10 September 2021, registered vide Memorial No. 21092902710383.

New Kowloon Inland Lot No. 4917 (Shops 3-11 including Cocklofts of Shops 5, 6, 7 on Ground Floor and Whole of the First Floor of Po Sing Court)

- Management Agreement in favour of The Hong Kong Building and Loan Agency Limited (Agency) and National Investment Company Limited (Manager) dated 28 November 1967, registered vide Memorial No. UB604982.
- Deed of Mutual Covenant dated 12 December 1967, registered vide Memorial No. UB607737.

- Lease Agreement (No. 4 for Regal Oriental Hotel) in favour of Favour Link International Limited dated 16 March 2007, registered vide Memorial No. 07041300910095. (Remarks: For the period commencing from 30 March 2007 to 31 December 2015)
- First Supplemental Agreement amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited dated 12 February 2010, registered vide Memorial No. 10052602510111.
- Second Supplemental Deed amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited dated 12 March 2015, registered vide Memorial No. 15042302380254.
- Order No. "UBCSN/05-29/0001/12" under S.24(1) of the Buildings Ordinance with plans dated 14 December 2016, registered vide Memorial No. 17041302060283. (Remarks: By the Building Authority Re: Common Part(s) only)
- Third Supplemental Deed amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited dated 20 December 2019, registered vide Memorial No. 20041601820121.
- Order No. "D00133/K/20/TE" by the Building Authority under Section 26 of the Buildings Ordinance dated 3 September 2020, registered vide Memorial No. 20100702240477. (Remarks: for common areas (including common staircase) of the building)
- Gala Debenture in favour of Hang Seng Bank Limited dated 10 September 2021, registered vide Memorial No. 21092902710383.
- Order No. "DR00792/K/22" by the Building Authority under S.28(3) of the Buildings Ordinance dated 7 October 2022, registered vide Memorial No. 22121401110015. (Remarks: for common part(s) only)
- Order No. "CCSN/TC/017984/12/K" under S.24(1) of the Buildings Ordinance with Plans dated 24 October 2023, registered vide Memorial No. 23122900650075. (Remarks: by the Building Authority for common part(s) only)

3. Hotel Operation

Hotel Performance in 2023

Occupancy Rate : 66%

Average Room Rate : HKD595

Lease Agreement

Lessor : Gala Hotels Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from the Listing Date and expiring on 31 December 2030 (both days inclusive).

Rental

From 2011 to 2030, the Market Rent²⁶ to be determined (the “Market Rental Package Determination”) in accordance with the Lease Agreement, subject to a Floor Rent of HKD30,000,000 per annum out of a total Floor Rent of HKD400,000,000 for all five Initial Hotels²⁷.

According to the 2023 and 2024 Market Rental Package Determinations, Base Rent for ROH for the fiscal years of 2023 and 2024 are both HKD37,000,000; and the Variable Rent is 50% of the excess of the aggregate NPI of the five Initial Hotels over the aggregate Base Rent of the Initial Hotels for the respective years, which portion shall be the proportion by which the excess NPI of this hotel bears to the aggregate excess NPI of all the Initial Hotels.

Hotel Management Agreement (“HMA”)

Hotel Manager : Regal Hotels International Limited

Term of HMA : Twenty (20) years from the Listing Date

Base Fee : One percent (1%) of Gross Revenue²⁸ (for so long as the Lease Agreement is in subsistence); or

Two percent (2%) of Gross Revenue (for other cases during the Operating Term)

Incentive Fee : One percent (1%) of the excess of the Adjusted GOP²⁹ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or

Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

²⁶ According to the Lease Agreement, the Market Rent to be determined includes the Base Rent, Variable Rent and the Lessee’s contribution to the FF&E Reserve.

²⁷ Namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel.

²⁸ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

²⁹ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

4. Retail Tenancy/Licence Schedules

Retail³⁰

Retail Area (Lettable)	:	ROH - Approx. 12,263 sq. ft. (1,139 sq. m.) Po Sing Court – Approx. 9,337 sq. ft. (867 sq. m.)
Occupied Area (Lettable)	:	ROH – Approx. 0 sq. ft. (0 sq. m.) Po Sing Court – Approx. 2,927 sq. ft. (272 sq. m.)
Vacant Area (Lettable)	:	ROH - Approx. 12,263 sq. ft. (1,139 sq. m.) Po Sing Court – Approx. 6,410 sq. ft. (596 sq. m.)
Occupancy Rate	:	ROH – 0% Po Sing Court – 31.3%
Monthly Base Rent	:	ROH - HKD0 Po Sing Court - HKD88,000 (All tenancies are exclusive of rates, management fees and air-conditioning charges)

ROH

Latest Expiry Date	:	N/A
Range of Rent-free Period	:	N/A
Option to Renew	:	N/A
Summary of Terms	:	N/A

Po Sing Court

Tenancy Expiry Profile

Year	Lettable Area (sq. ft.)	% of Total	Monthly Rent (HKD)	% of Total	No. of Tenancy	% of Total
Year Ending 2024	2,927	100%	88,000	100%	2	100%
Total	2,927	100% (rounded)	88,000	100% (rounded)	2	100% (rounded)

³⁰ The areas quoted exclude spaces which are used by ROH.

Tenancy Duration Profile

Tenancy Duration	Lettable Area		Monthly Rent		No. of	
	(sq. ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
Up to 1 year	1,407	48.1%	18,000	20.5%	1	50%
More than 2 years and up to 3 years	1,520	51.9%	70,000	79.5%	1	50%
Total	2,927	100% (rounded)	88,000	100% (rounded)	2	100% (rounded)

Latest Expiry Date : 4 July 2024

Range of Rent-free Period : 0 to 2 months

Option to Renew : One of the tenancies have an option to renew for a further term of two years.

Summary of Terms : The Landlord³¹ is responsible for payment of Government Rent and the structural and external repairs while the Tenant is responsible for the internal repairs of the occupied area.

Licences for Mobile Phone Base Stations, Antennae, Signage Spaces and Poster Stand(s)

Number of Licences : 3

Monthly Licence Fee : HKD69,365 per month

Latest Expiry Date : 30 April 2026

5. Estimated Net Property Yield³²

2.0%

6. Market Value in existing state as at 31 December 2023

HKD1,805,000,000 (Hong Kong Dollars One Billion Eight Hundred and Five Million)

³¹ All tenancy agreements/licences are entered into by Favour Link International Ltd as Landlord.

³² The Estimated Net Property Yield of ROH is derived from the rent receivable in 2023 divided by the Market Value.

Property 5

REGAL RIVERSIDE HOTEL 34-36 Tai Chung Kiu Road Shatin, New Territories, Hong Kong

Sha Tin Town Lot No. 160

1. Property Description

Regal Riverside Hotel (“RRH”) is a 20-storey (including two basement floors) High Tariff B hotel completed in 1986. It has currently 1,147 guestrooms after the recent renovation works in 2020.

RRH is located at Shatin, a well-established urban area in the New Territories with an immediate locality of mainly residential buildings and some shopping facilities. RRH overlooks the Shing Mun River.

Site Area	:	4,956 sq. m.
Gross Floor Area	:	59,668 sq. m.
Covered Floor Area	:	Approx. 69,100 sq. m.
Town Planning Zoning	:	“Commercial” zone under Draft Sha Tin Outline Zoning Plan No. S/ST/37 dated 17 November 2023.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
Standard Room	131	Executive Club Floor Deluxe Room	72
Superior Room	274	Executive Club Floor River View Room	63
Deluxe Room	28	Spa Superior Room	4
Prime Deluxe Room	140	Spa Deluxe Room	3
Premier Room	98	Executive Suite	11
Premier Riverview Room	60	Royal Suite	1
Family Triple Room	26	Deluxe Suite	6
Family Quadruple Room	69	Presidential Suite	1
Executive Club Floor Superior Room	160		
		Total	1,147

Notes: The room sizes range from 10 sq. m. to 121 sq. m.

Food and Beverage Outlets

Floor	Name of Outlet	Type of Facility	Seating Capacity (approx.)	
			Area (sq. m.)	No. of normal dining seating
G/F	Vi ³³	Vietnamese-Thai Cuisine	145	92
G/F	Moon River	Local Eatery	97	72
G/F	Avanti Pizzeria ³⁴	American-Italian Cuisine	154	98
G/F	Scene Bar ³⁵	Lounge and Bar	210	88
G/F	Taiwan Delight	Taiwanese Cuisine	31	42
1/F	Carnival Bar	American Bar	286	120
1/F	Dragon Inn	Shanghainese and Provincial Cuisines	318	156
2/F	Regal Terrace	Cantonese with seafood specialities	726	260
2/F	Regal Court	Cantonese with Sichuan flavours	205	80
3/F	L'Eau Restaurant	International Buffet with Poolside BBQ	409	220

Meeting and Banquet Facilities

Floor	Name of Function Room	Type of Facility	No. of Rooms	Seating Capacity (approx.)		
				Area (sq. m.)	No. of seating in Boardroom Style	No. of seating in Theatre/ Banquet Style
1/F	Ballroom	Banquet/Convention	1	549	450	456
1/F	Multi-purpose Function Rooms	Banquet/Convention	2	115	70	72
1/F	Forum	Meeting and Convention	1	518	500	432
2/F	Multi-purpose Function Rooms	Banquet/Convention	5	390	180	264
3/F	Multi-purpose Function Rooms	Banquet/Convention	1	416	200	300

Other Facilities

Other facilities include an outdoor swimming pool, a health club with a gymnasium and spa/massage facilities and retail spaces.

³³ Additional outdoor seating areas are provided on the G/F.

³⁴ Additional outdoor seating areas are provided on the G/F.

³⁵ Additional outdoor seating areas are provided on the G/F.

2. Ownership and Tenure

Lease Terms	:	Sha Tin Town Lot No. 160 is held by the Government under New Grant No. 11571 for a term of 99 years less the last three days commencing from 1 July 1898 and has been statutorily extended to 30 June 2047.
Registered Owner	:	Regal Riverside Hotel Limited
Major Encumbrances	:	<ul style="list-style-type: none">• Modification Letter dated 1 June 1982, registered vide Memorial No. ST211142.• Modification Letter dated 28 August 1986, registered vide Memorial No. ST353344.• Letter of Compliance dated 18 July 1986, registered vide Memorial No. ST430228.• Statutory Declaration as to Loss of Title Deeds dated 21 March 2000, registered vide Memorial No. ST1145794• Lease Agreement (No. 5 for Regal Riverside Hotel) in favour of Favour Link International Limited dated 16 March 2007, registered vide Memorial No. 07041300910108 (Remarks: For the period commencing from 30 March 2007 to 31 December 2015).• Modification Letter dated 14 November 2007, registered vide Memorial No. 07111601000553.• First Supplemental Agreement amending Lease Agreement No. 5 for Regal Riverside Hotel in favour of Favour Link International Limited dated 12 February 2010, registered vide Memorial No. 10052602510131.• Second Supplemental Deed amending Lease Agreement No. 5 for Regal Riverside Hotel in favour of Favour Link International Limited dated 12 March 2015, registered vide Memorial No. 15042302380265.• Third Supplemental Deed amending Lease Agreement No.5 for Regal Riverside Hotel dated 20 December 2019, registered vide Memorial No. 20041601820134.• Regal Riverside Debenture in favour of Hang Seng Bank Limited dated 10 September 2021, registered vide Memorial No. 21092902710405.

3. Hotel Operation

Hotel Performance in 2023

Occupancy Rate : 82%

Average Room Rate : HKD663

Lease Agreement

Lessor : Regal Riverside Hotel Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from the Listing Date and expiring on 31 December 2030 (both days inclusive).

Rental

From 2011 to 2030, the Market Rent³⁶ to be determined (the “Market Rental Package Determination”) in accordance with the Lease Agreement, subject to a Floor Rent of HKD70,000,000 per annum out of a total Floor Rent of HKD400,000,000 for all five Initial Hotels³⁷.

According to the 2023 and 2024 Market Rental Package Determinations, Base Rent for RRH for the fiscal years of 2023 and 2024 are HKD103,000,000 and HKD126,000,000 respectively; and the Variable Rent is 50% of the excess of the aggregate NPI of the five Initial Hotels over the aggregate Base Rent of the Initial Hotels for the respective years, which portion shall be the proportion by which the excess NPI of this hotel bears to the aggregate excess NPI of all the Initial Hotels.

Hotel Management Agreement (“HMA”)

Hotel Manager : Regal Hotels International Limited

Term of HMA : Twenty (20) years from the Listing Date

Base Fee : One percent (1%) of Gross Revenue³⁸ (for so long as the Lease Agreement is in subsistence); or

Two percent (2%) of Gross Revenue (for other cases during the Operating Term)

Incentive Fee : One percent (1%) of the excess of the Adjusted GOP³⁹ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or

Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

³⁶ According to the Lease Agreement, the Market Rent to be determined includes the Base Rent, Variable Rent and the Lessee’s contribution to the FF&E Reserve.

³⁷ Namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel.

³⁸ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

³⁹ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

4. Retail Tenancy/Licence Schedules

Retail⁴⁰

Retail Area (Lettable)	:	Approx. 4,719 sq. ft. (438 sq. m.)
Occupied Area (Lettable)	:	Approx. 4,719 sq. ft. (438 sq. m.)
Vacant Area (Lettable)	:	Approx. 0 sq. ft. (0 sq. m.)
Occupancy Rate	:	100%
Monthly Base Rent	:	HKD221,737 (All tenancies are exclusive of rates, management fees and air-conditioning charges)

Tenancy Expiry Profile

Year	Lettable Area		Monthly Rent		No. of	
	(sq. ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
Year Ending 2024	4,719	100%	221,737	100%	2	100%
Total	4,719	100% (rounded)	221,737	100% (rounded)	2	100% (rounded)

Tenancy Duration Profile

Tenancy Duration	Lettable Area		Monthly Rent		No. of	
	(sq. ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
More than 2 years and up to 3 years	4,719	100%	221,737	100%	2	100%
Total	4,719	100% (rounded)	221,737	100% (rounded)	2	100% (rounded)

Latest Expiry Date	:	14 November 2024
Range of Rent-free Period	:	2.5 to 9.5 months
Option to Renew	:	N/A
Summary of Terms	:	The Landlord ⁴¹ is responsible for payment of Government Rent and the structural and external repairs while the Tenant is responsible for the internal repairs of the occupied area.

⁴⁰ The areas quoted exclude spaces which are used by RRH.

⁴¹ All tenancy agreements/licences are entered into by Favour Link International Ltd as Landlord.

Licences for Mobile Phone Base Stations, Antennae, Signage Spaces and Poster Stand(s)

Number of Licences	:	5
Monthly Licence Fee	:	HKD184,800 per month
Latest Expiry Date	:	31 March 2026

5. Estimated Net Property Yield⁴²

2.0%

6. Market Value in existing state as at 31 December 2023

HKD5,146,000,000 (Hong Kong Dollars Five Billion One Hundred and Forty-Six Million)

⁴² The Estimated Net Property Yield of RRH is derived from the rent receivable in 2023 divided by the Market Value.

Property 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**

3,062/3,637th undivided shares of and
in the Sub-section 1 and The Remaining Portion of Section F
and the Sub-section 1 and The Remaining Portion of Section G, of Inland Lot No. 2769

1. Property Description

iclub Wan Chai Hotel ("ICWC") comprises a significant portion of the Ground Floor including Shops A, B and C, 22 entire floors (from the 5th to 29th Floors, of which the 13th, 14th and 24th Floors are omitted), a flat roof on the 3rd Floor, together with the eastern and western elevations of external walls and architectural feature at the roof top and the upper roof of a 26-storey composite building completed in 1997. The remaining portion of the building including a portion of the Ground Floor, all of the 1st and 2nd Floors, is owned by The Financial Secretary Incorporated (the HKSAR Government's property agent) and does not form part of ICWC. The immediate locality is predominantly office buildings.

After the completion of the Asset Enhancement Programme and the conversion project in 2009 and 2010 respectively, the hotel comprises 99 guestrooms and suites. ICWC is a High Tariff B hotel.

The 99-room hotel portion includes a portion of the Ground Floor and the whole of the 5th to 26th Floors. The portion of the Ground Floor comprises the hotel lobby and a shop which is leased. The mechanical floor is the 3rd Floor. The 27th to 29th Floors have been leased and are occupied for retail/restaurant/bar/karaoke uses.

Site Area	:	413 sq. m.
Gross Floor Area	:	5,326 sq. m.
Covered Floor Area	:	Approx. 5,530 sq. m.
Town Planning Zoning	:	"Commercial" zone under Approved Wan Chai Outline Zoning Plan No. S/H5/31 dated 12 May 2023.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
iSelect	18	iBusiness Executive	10
iSelect Premier	12	iSuite Premier	4
iPlus Premier	29	iResidence Premier	7
iBusiness Deluxe	19		
		Total	99

Notes: The room sizes range from 15 sq. m. to 47 sq. m.

Other Facilities

Other facilities include a club lounge and a gymnasium.

2. Ownership and Tenure

Lease Terms	:	The Inland Lot No. 2769 is held under a Government Lease for a term of 99 years commencing from 25 May 1929 and renewable for a further term of 99 years.
Registered Owner	:	Sonnix Limited
Major Encumbrances	:	<ul style="list-style-type: none">• Licence in favour of Sonnix Limited by the District Lands Officer/Hong Kong West for and on behalf of the Governor of Hong Kong dated 22 November 1994, registered vide Memorial No. UB6186840;• Statutory Declaration of Liu Yee Man John dated 17 April 1997, registered vide Memorial No. UB7020522.• Occupation Permit No. H73/97 dated 20 November 1997, registered vide Memorial No. UB7355437.• Deed of Mutual Covenant and Management Agreement in favour of Paliburg Estate Management Limited dated 28 November 1997, registered vide Memorial No. UB7376631.• Supplemental Deed of Mutual Covenant and Management Agreement in favour of Paliburg Estate Management Limited dated 19 October 2009, registered vide Memorial No. 09103001380118.• Debenture and Mortgage in favour of Hang Seng Bank Limited, dated 24 July 2019, registered vide Memorial No. 19080702600227.

3. Hotel Operation

Hotel Performance in 2023

Occupancy Rate	:	94%
Average Room Rate	:	HKD903

Hotel Management Agreement (“HMA”)

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	From the Effective Date ⁴³ , and unless sooner terminated as herein provided, shall continue thereafter through and inclusive of 31 December 2030.
Base Fee	:	Two percent (2%) of the Gross Revenue ⁴⁴
Incentive Fee	:	Five percent (5%) of the excess of the GOP ⁴⁵ over the Base Fee and the Fixed Charges.

4. Retail Tenancy/Licence Schedules

Retail⁴⁶

Total Retail Area (gross area)	:	1,800 sq. ft. (167 sq. m.)
Occupied Area (gross area)	:	1,800 sq. ft. (167 sq. m.)
Vacant Area (gross area)	:	0 sq. ft. (0 sq. m.)
Occupancy Rate	:	100%
Monthly Base Rent	:	HKD130,000 (The base rent is exclusive of rates, government rent, management fees and air-conditioning charges and outgoings)

⁴³ According to the Hotel Management Agreement, “Effective Date” means 1 January 2021.

⁴⁴ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

⁴⁵ According to the Hotel Management Agreement, “Gross Operating Profit” means Total Hotel Revenue less Hotel Operating Expenses during the same period.

⁴⁶ The areas quoted exclude spaces which are used by ICWC.

Tenancy Expiry Profile

Year	Gross Area		Monthly Rent		No. of	
	(sq. ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
Year Ending 2026	1,800	100%	130,000	100%	1	100%
Total	1,800	100%	130,000	100%	1	100%

Tenancy Duration Profile

Tenancy Duration	Gross Area		Monthly Rent		No. of	
	(sq. ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
More than 2 years and up to 3 years	1,800	100%	130,000	100%	1	100%
Total	1,800	100%	130,000	100%	1	100%

Latest Expiry Date : 14 August 2026

Range of Rent-free Period : 6 months

Option to Renew : N/A

Summary of Terms : The Landlord⁴⁷ and/or another responsible party is/are to be responsible for the structural and external repairs while the Tenant is to be responsible for the internal repairs of the occupied area. The rates, government rent, taxes are payable by the Tenant.

Office

Total Area (gross area) : 8,304 sq. ft. (771 sq. m.)

Occupied Area (gross area) : 8,304 sq. ft. (771 sq. m.)

Vacant Area (gross area) : 0 sq. ft. (0 sq. m.)

Occupancy Rate : 100%

Monthly Base Rent : HKD446,921 (All tenancies are inclusive of air-conditioning charges, management fees and rates, except one of the tenancies is exclusive of rates)

⁴⁷ All tenancy agreements are entered into by Sonnix Limited as Landlord.

Tenancy Expiry Profile

Year	Gross Area		Monthly Rent		No. of	
	(sq. ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
Year Ending 2026	8,304	100%	446,921	100%	3	100%
Total	8,304	100%	446,921	100%	3	100%

Tenancy Duration Profile

Tenancy Duration	Gross Area		Monthly Rent		No. of	
	(sq. ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
More than 2 years and up to 3 years	8,304	100%	446,921	100%	3	100%
Total	8,304	100%	446,921	100%	3	100%

Latest Expiry Date : 21 July 2026

Range of Rent-free Period : 6 months

Option to Renew : N/A

Summary of Terms : The Landlord⁴⁸ and/or another responsible party is/are to be responsible for the structural and external repairs while the Tenant is to be responsible for the internal repairs of the occupied area.

5. Estimated Net Property Yield⁴⁹

2.6%

6. Market Value in existing state as at 31 December 2023

HKD833,000,000 (Hong Kong Dollars Eight Hundred and Thirty-Three Million)

⁴⁸ All tenancy agreements are entered into by Sonnix Limited as Landlord.

⁴⁹ The Estimated Net Property Yield of ICWC is derived from the net income receivable in 2023 divided by the Market Value.

Property 7

ICLUB SHEUNG WAN HOTEL

138 Bonham Strand
Sheung Wan
Hong Kong

Section C of Marine Lot No. 67A
Section A of Sub-section 1 of Section A of Marine Lot No. 67
The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67
Section A of Sub-section 1 of Section B of Marine Lot No. 67
The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67
Sub-section 2 of Section B of Marine Lot No. 67
The Remaining Portion of Section B of Marine Lot No. 67
Sub-section 1 of Section C of Marine Lot No. 67
The Remaining Portion of Section C of Marine Lot No. 67
Section G of Inland Lot No. 66 and
The Remaining Portion of Inland Lot No. 66

1. Property Description

The iclub Sheung Wan Hotel (“ICSW”) is a 34-storey hotel completed in 2014 with 248 rooms and suites. ICSW is located in Sheung Wan, a mature commercial/residential area close to Central, Hong Kong’s primary CBD. The hotel is easily accessible by MTR, taxi and various bus lines.

Site Area ⁵⁰	:	472 sq. m.
Gross Floor Area	:	7,197 sq. m.
Covered Floor Area	:	Approx. 9,600 sq. m.
Town Planning Zoning	:	“Commercial” zone under Approved Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/34 dated 13 November 2020.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
iSelect	66	iBusiness Deluxe	8
iPlus	60	iBusiness Premier	14
iBusiness	34	iSuite	18
iSelect Premier	13	iResidence	7
iPlus Premier	28		
		Total	248

Notes: The room sizes range from 13 sq. m. to 54 sq. m.

⁵⁰ The site area excludes an area of 32.803 sq. m. to be reserved for lane pattern but includes an area of 24.398 sq. m. to be surrendered for road widening.

Other Facilities

Other facilities include a club lounge and a gymnasium.

2. Ownership and Tenure

Lease Terms	:	Marine Lot No. 67 and Marine Lot No. 67A are held under respective Government Leases for a common term of 999 years commencing from 7 February 1852; Inland Lot No. 66 is held under a Government Lease for a term of 999 years commencing from 26 March 1868.
Registered Owner	:	Tristan Limited
Major Encumbrances	:	<ul style="list-style-type: none">• Government Notice No. 2710 of 21 July 1995 pursuant to Section 22(1) the Crown Rent and Premium (Apportionment) Ordinance (Cap. 125) dated 21 July 1995, registered vide Memorial No. UB6352712 (For The Remaining Portion of Inland Lot No. 66 only).• Government Notice No. 1100 of 18 February 2011 pursuant to Section 22(1) of the Government Rent and Premium (Apportionment) Ordinance (Cap. 125) dated 18 February 2011, registered vide Memorial No. 11030101830019 (For The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67, The Remaining Portion of Section B of Marine Lot No. 67 and The Remaining Portion of Section C of Marine Lot No. 67 only).• Deed Poll dated 15 August 2011, registered vide Memorial No. 11082501800017 (The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67, Section A of Sub-section 1 of Section B of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67, The Remaining Portion of Section B of Marine Lot No. 67, The Remaining Portion of Section C of Marine Lot No. 67 and The Remaining Portion of Inland Lot No. 66 only).• Government Notice No. 7420 of 11 November 2011 pursuant to Section 22(1) of the Government Rent and Premium (Apportionment) Ordinance (Cap. 125) dated 11 November 2011, registered vide Memorial No. 11111702560010 (For Section C of Marine Lot No. 67A only).• Offensive Trade Licence by District Lands Officer, Hong Kong West & South dated 12 December 2011, registered vide Memorial No. 12022300500014 (For Section C of Marine Lot No. 67A, The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67, The Remaining Portion of Section B of Marine Lot No. 67, The Remaining Portion of Section C of Marine Lot No. 67 and The Remaining Portion of Inland Lot No. 66 only).

- Occupation Permit (No. HK1/2014(OP)) dated 6 January 2014, registered vide Memorial No. 18112102410465.
- Lease Agreement in favour of Favour Link International Limited dated 18 November 2019, registered vide Memorial No. 19121001910020 (Note: For the period commencing from 1 January 2020 to 31 December 2024).
- Debenture and Mortgage in favour of United Overseas Bank Limited dated 19 October 2023, registered vide Memorial No. 23102702090129.

3. Hotel Operation

Hotel Performance in 2023

Occupancy Rate : 91%

Average Room Rate : HKD823

Lease Agreement

Lessor : Tristan Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from the Effective Date⁵¹ and expiring on 31 December 2024, and will be further extended to 31 December 2034⁵².

Rental : The annual rent receivable in respect of the first, second and third years of the lease term are 5.00%, 5.25% and 5.50% respectively of HKD1,580 million.

The rent receivable in respect of the remaining lease term shall be determined based on annual market rental reviews performed by independent professional property valuer who will be jointly appointed by the Lessor and the Lessee.

According to the 2023 and 2024 Market Rental Package Determinations, Base Rent for ICSW for the lease year of 2023 and 2024 are HKD32,000,000 and HKD42,000,000 respectively; and the Variable Rent is 50% of the excess of the NPI.

⁵¹ According to the Lease Agreement, "Effective Date" means 10 February 2014.

⁵² According to the Extended Lease Agreement, the extended lease period will commence from 1 January 2025 to 31 December 2034.

Hotel Management Agreement (“HMA”)

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	From the Effective Date ⁵³ , and unless sooner terminated as herein provided, shall continue thereafter through and inclusive of the tenth anniversary of the Effective Date, and will be further extended to 31 December 2034 ⁵⁴ .
Base Fee	:	One percent (1%) of Gross Revenue ⁵⁵ (for so long as the Lease Agreement is in subsistence); or Two percent (2%) of Gross Revenue (for other cases during the Operating Term)
Incentive Fee	:	One percent (1%) of the excess of the Adjusted GOP ⁵⁶ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

4. Licence Schedules

Licences for Mobile Radio Equipment, Integrated Radio Systems and Others

Number of Licences	:	1
Monthly Licence Fee	:	HKD60,000
Latest Expiry Date	:	31 December 2023

5. Estimated Net Property Yield⁵⁷

2.3%

6. Market Value in existing state as at 31 December 2023

HKD1,579,000,000 (Hong Kong Dollars One Billion Five Hundred and Seventy-Nine Million)

⁵³ According to the Hotel Management Agreement, “Effective Date” means 10 February 2014.

⁵⁴ According to the Extended Hotel Management Agreement, the extended HMA period is from the expiry of the current term to 31 December 2034.

⁵⁵ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

⁵⁶ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

⁵⁷ The Estimated Net Property Yield of ICSW is derived from the rent receivable in 2023 divided by the Market Value.

Property 8

IClub Fortress Hill Hotel

18 Merlin Street
North Point
Hong Kong

The Remaining Portion of Section P of Inland Lot No. 2273,
The Remaining Portion of Sub-section 1 of Section P of Inland Lot No. 2273,
The Remaining Portion of Sub-section 1 of Section H of Inland Lot No. 2273 and
The Remaining Portion of Section H of Inland Lot No. 2273

1. Property Description

The iclub Fortress Hill Hotel (“ICFH”) is a 32-storey hotel completed in 2014 with 338 guestrooms. ICFH is located in North Point, where most of developments are residential buildings. Office buildings and hotel developments can also be found in the vicinity. The hotel is easily accessible by MTR, taxi and various bus lines.

Site Area	:	457 sq. m.
Gross Floor Area	:	6,849 sq. m.
Covered Floor Area	:	Approx. 9,400 sq. m.
Town Planning Zoning	:	“Commercial/Residential” zone under Draft North Point Outline Zoning Plan No. S/H8/27 dated 24 March 2023.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
iRoom	17	iRoom Premier	11
iSelect	116	iPlus Premier	30
iPlus	108	iBusiness Premier	56
		Total	338

Notes: The room sizes range from 10 sq. m. to 16 sq. m.

Other Facilities

Other facilities include a club lounge and a gymnasium.

2. Ownership and Tenure

Lease Terms	:	Inland Lot No. 2273 is held under a Government Lease for a term of 75 years commencing from 25 August 1919 and renewable for a further term of 75 years.
Registered Owner	:	Wise Decade Investments Limited
Major Encumbrances	:	<ul style="list-style-type: none">Offensive Trade Licence from District Lands Office, Hong Kong East dated 20 July 2012, registered vide Memorial No. 12082101060027.Occupation Permit (No. HK20/2014(OP)) dated 5 May 2014, registered vide Memorial No. 19010702210517.Lease Agreement in favour of Favour Link International Limited dated 18 November 2019, registered vide Memorial No. 19121001910030 (Note: For the period commencing from 1 January 2020 to 31 December 2024).Debenture and Mortgage in favour of Cathay United Bank Company, Limited, Hong Kong Branch, dated 29 November 2023, registered vide Memorial No. 23121401720099.

3. Hotel Operation

Hotel Performance in 2023

Occupancy Rate : 85%

Average Room Rate : HKD610

Lease Agreement

Lessor : Wise Decade Investments Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from the Effective Date⁵⁸ and expiring on 31 December 2024, and will be further extended to 31 December 2034⁵⁹.

Rental : The annual rent receivable in respect of the first, second and third years of the lease term are 5.00%, 5.25% and 5.50% respectively of HKD1,650 million.

The rent receivable in respect of the remaining lease term shall be determined based on annual market rental reviews performed by independent professional property valuer who will be jointly appointed by the Lessor and the Lessee.

⁵⁸ According to the Lease Agreement, "Effective Date" means 28 July 2014.

⁵⁹ According to the Extended Lease Agreement, the extended lease period will commence from 1 January 2025 to 31 December 2034.

According to the 2023 and 2024 Market Rental Package Determinations, Base Rent for ICFH for the lease years of 2023 and 2024 are HKD30,000,000 and HKD40,000,000 respectively; and the Variable Rent is 50% of the excess of the NPI.

Hotel Management Agreement (“HMA”)

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	From the Effective Date ⁶⁰ , and unless sooner terminated as herein provided, shall continue thereafter through and inclusive of the tenth anniversary of the Effective Date, and will be further extended to 31 December 2034 ⁶¹ .
Base Fee	:	One percent (1%) of Gross Revenue ⁶² (for so long as the Lease Agreement is in subsistence); or Two percent (2%) of Gross Revenue (for other cases during the Operating Term)
Incentive Fee	:	One percent (1%) of the excess of the Adjusted GOP ⁶³ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

4. Licence Schedules

Licences for Mobile Radio Equipment, Integrated Radio Systems and Others

Number of Licences	:	1
Monthly Licence Fee	:	HKD60,000
Latest Expiry Date	:	31 December 2023

5. Estimated Net Property Yield⁶⁴

2.1%

6. Market Value in existing state as at 31 December 2023

HKD1,560,000,000 (Hong Kong Dollars One Billion Five Hundred and Sixty Million)

⁶⁰ According to the Hotel Management Agreement, “Effective Date” means 28 July 2014.

⁶¹ According to the Extended Hotel Management Agreement, the extended HMA period is from the expiry of the current term to 31 December 2034.

⁶² According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

⁶³ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

⁶⁴ The Estimated Net Property Yield of ICFH is derived from the rent receivable in 2023 divided by the Market Value.

Property 9

ICLUB TO KWA WAN HOTEL

8 Ha Heung Road
(formerly known as 8, 8A, 10, 10A, 12 and 12A Ha Heung Road)
Kowloon
Hong Kong

Section C of Kowloon Inland Lot No. 4148

1. Property Description

iclub To Kwa Wan Hotel ("ICTKW")(formerly iclub Ma Tau Wai Hotel) is a 22-storey building including 1 basement floor completed in 2017. It provides 340 guestrooms accommodated from the 5th to 23rd Floors of the building. Carparking spaces are available on the basement and ground floor.

ICTKW is located at To Kwa Wan, a traditional residential area near Kowloon City and the new Kai Tak development. The immediate locality is predominantly residential buildings.

Site Area	:	700 sq. m.
Gross Floor Area⁶⁵	:	6,298 sq. m.
Covered Floor Area	:	Approx. 9,490 sq. m.
Town Planning Zoning	:	"Residential (Group A)" zone under Approved Ma Tau Kok Outline Zoning Plan No. S/K10/30 dated 8 September 2023.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
iSelect	57	iPlus Family	24
iPlus	71	iPlus Premier Family	18
iSelect Premier	57	iBusiness Premier Family	20
iBusiness Premier	64	iBusiness Deluxe Family	9
iSelect Premier Family	12	iSmart	8
		Total	340

Notes: The room sizes range from 11 sq. m. to 16 sq. m.

Other Facilities

Other facilities include a lounge, computer area and fitness area.

⁶⁵ The Gross Floor Area excludes 158.11 sq. m. lift exempted area.

2. Ownership and Tenure

Lease Terms	:	Section C of Kowloon Inland Lot No. 4148 is held under a Conditions of Sale No. 3945 for a term of 75 years commencing from 26 June 1939 and renewable for a further term of 75 years.
Registered Owner	:	Land Crown International Limited
Government Rent	:	3% of the rateable value of the Property
Major Encumbrances	:	<ul style="list-style-type: none">• Occupation Permit No. KN52/2016 (OP), dated 23 November 2016, registered vide Memorial No. 17091300940028.• Lease Agreement for iclub Ma Tau Wai Hotel in favour of Favour Link International Limited, dated 4 September 2017, registered vide Memorial No. 17091300940063.• Supplemental Deed amending Lease Agreement for iclub Ma Tau Wai Hotel in favour of Favour Link International Limited, dated 8 June 2022, registered vide Memorial No. 22061400820022 (Remarks: A Term From 4.9.2022 to 31.12.2027).• Debenture and Mortgage Constituting Fixed and Floating Charges in favour of United Overseas Bank Limited, dated 20 November 2023, registered vide Memorial No. 23120802120071.

3. Hotel Operation

Hotel Performance in 2023

Occupancy Rate : 81%

Average Room Rate : HKD579

Lease Agreement

Lessor : Land Crown International Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from the Effective Date⁶⁶ and expiring on 31 December 2027.

Rental : The annual rent receivable in respect of the first, second, third, fourth and fifth years of the lease term are 4.00%, 4.25%, 4.50%, 4.75% and 5.00% respectively of HKD1,360 million.

⁶⁶ According to the Lease Agreement, "Effective Date" means 4 September 2017.

The rent receivable in respect of the remaining lease term shall be determined based on annual market rental reviews performed by independent professional property valuer who will be jointly appointed by the Lessor and the Lessee.

According to the 2023 and 2024 Market Rental Package Determinations, Base Rent for ICTKW for the 2023 and 2024 are HKD30,000,000 and HKD36,000,000 respectively; and the Variable Rent is 50% of the excess of the NPI.

Hotel Management Agreement (“HMA”)

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	From the Effective Date ⁶⁷ , and unless sooner terminated as herein provided, shall continue thereafter through and inclusive of the tenth anniversary of the Effective Date.
Base Fee	:	One percent (1%) of Gross Revenue ⁶⁸ (for so long as the Lease Agreement is in subsistence); or Two percent (2%) of Gross Revenue (for other cases during the Operating Term)
Incentive Fee	:	One percent (1%) of the excess of the Adjusted GOP ⁶⁹ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

4. Estimated Net Property Yield⁷⁰

2.2%

5. Market Value in existing state as at 31 December 2023

HKD1,361,000,000 (Hong Kong Dollars One Billion Three Hundred and Sixty-One Million)

⁶⁷ According to the Hotel Management Agreement, “Effective Date” means 4 September 2017.

⁶⁸ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

⁶⁹ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

⁷⁰ The Estimated Net Property Yield of ICTKW is derived from the rent receivable in 2023 divided by the Market Value.

HOTEL MARKET OVERVIEW

The HK-mainland China border was fully reopened on 6 February 2023⁷¹. On 1 March, the mandatory order to wear facial masks was rescinded. Daily life returned to normal, and tourism began recovering. Based on December 2023 figures, almost 34 million visitors had arrived in Hong Kong, about 60% of the monthly average visitor arrivals (or 4.65 million) in 2019⁷². The rise in visitors was bound to boost the hospitality sector and its business environment, with December's average hotel occupancy at 87% from the end of 2022's 72%⁷³.

Hong Kong's hospitality sector was under pressure before the pandemic. As a result of 2019's social unrest and the US-Sino trade tensions, there was a significant decline of 18.8% in the number of overnight visitor arrivals compared to the previous year. The decline accelerated in 2020 and 2021 due to the pandemic, with overnight arrivals shrinking by 94.3% and 93.4% year on year (YoY), respectively⁷⁴. The slide can be attributed to the continued travel restrictions and other social distancing measures.

In May 2022, as the Fifth Wave of the pandemic subsided, overnight arrivals reached 17,973, up 307.0% month on month from April's 4,416. As the pandemic subsided in the second half of 2022, the government lifted the compulsory quarantine requirements for arrivals on 26 September 2022⁷⁵. Overnight arrivals continued to increase, reaching 145,879 by the end of December 2022 – the highest since February 2020's 90,362⁷⁶.

In December 2023, Hong Kong's visitor arrivals reached about 34 million. The Airport Authority recorded 35.2 million passengers using Hong Kong International Airport in the first eleven months of 2023, up from the same period last year when only 4.1 million were recorded. Flights increased by around 100% YoY from 122,952 to 246,155, handled 3.8 million passengers in November⁷⁷. Meanwhile, airlines are increasing capacity to cope with increased demand.

On 2 February 2023, the government launched a promotional activity – Hello Hong Kong – to rebuild the city's global image as a financial centre and to reboot the tourism and meetings, incentives, conferences and exhibitions (MICE) sectors⁷⁸. Some HKD550 million has been set aside to improve Hong Kong's MICE market share, hold even more mega-events, and attract value-added visitors. The Airport Authority is distributing 500,000 free air tickets to attract visitors, while the HK Tourism Board will hand out a million gift packs offering inbound travellers dining and shopping privileges. The government's promotion of international events and activities continues in the second half of the year, such as the Night Vibes Hong Kong campaign, attracted more visitors, benefiting the hospitality sector.

⁷¹ Source: The Government of the Hong Kong Special Administrative Region, Press Releases, <https://www.info.gov.hk/gia/general/202302/03/P2023020300649.htm>

⁷² Source: "Visitor Arrivals To Hong Kong In December 2023", HKTb, partnernet.hktb.com/

⁷³ Source: "HKTb - Hotel Room Occupancy Report – Dec 2023", HKTb, partnernet.hktb.com/

⁷⁴ Source: "Tourist Statistics Database Nov 2019 – Dec 2023", HKTb, partnernet.hktb.com/

⁷⁵ Source: The Government of the Hong Kong Special Administrative Region, Press Releases, www.info.gov.hk/gia/general/202209/24/P2022092400048.htm

⁷⁶ Source: "Tourist Statistics Database Nov 2019 – Dec 2022", HKTb, partnernet.hktb.com/

⁷⁷ Source: Air Traffic Statistics, HKIA, <https://www.hongkongairport.com/>

⁷⁸ Source: The Government of the Hong Kong Special Administrative Region, Press Releases, <https://www.info.gov.hk/gia/general/202302/02/P2023020200675.htm>

Historically, High Tariff A hotels' average occupancy remained above 80% from 2010 to 2018, except for 2019 and 2020, when the market was disrupted. Starting from the first half of 2021, the High Tariff A hotel market showed signs of recovery, where the Occupancy Rate and Average Achieved Hotel Room Rate increased steadily from 31% and HKD1,467 in Q1 2021 to 56% and HKD1,732 in Q4 2022 respectively, it further increased to about 80% and HKD2,597 in Q4 2023 respectively⁷⁹. The rebound in occupancy rate had been faster in this sector than that of lower-priced hotels.

As of December 2023, Hong Kong had 321 hotels with an inventory of 90,109 keys. Since 2017, licensed hotels have increased by a 2.5% CAGR from 277 to 321 (as of December 2023), with keys growing by 2.2%. During that period, High Tariff A hotel rooms increased by 15.3%, the highest among hotels of other price ranges, reaching 21,475 keys. Notably, two new hotels – Regala Skycity Hotel and Fullerton Ocean Park Hotel Hong Kong – added 1,632 keys in this category since Aug 2022. The High Tariff B segment put on 18.7% and has 35,939 keys. Medium Tariff hotels meanwhile had the slowest growth of 4.6% with 25,589 keys.⁸⁰

Around 1,293 keys should enter the market in or before 2026, representing an 0.5% CAGR to reach 91,402 keys by the end of 2026. Future supply will be distributed across districts, particularly in Kowloon City and Kwun Tong. The most significant opening will be the Metropark Hotel Hunghom Hong Kong (536 keys) in Kowloon City in February 2024⁸¹.

⁷⁹ Source: "Hotel Room Occupancy Report – Dec 2021, Dec 2022 and Dec 2023", HKTB, partnernet.hktb.com/

⁸⁰ Source: HKTB - Hotel Room Occupancy Report – Dec 2017 and Dec 2023

⁸¹ Source: HKTB - Hotel Supply Situation Report as at September 2023

1. REGAL AIRPORT HOTEL

The Regal Airport Hotel (RAH) is located at 9 Cheong Tat Road, adjacent to Hong Kong International Airport (HKIA). It is Hong Kong's only airport hotel with direct access to the passenger terminals through an air-conditioned footbridge.

RAH is close to the AsiaWorld Expo, one of Hong Kong's two main MICE venues, and important tourist destinations, including Hong Kong Disneyland. The HKIA passenger terminals and the adjoining Citygate Outlets Shopping Centre have shopping and dining options. RAH benefits from easy accessibility thanks to the airport's comprehensive transport infrastructure. It can be reached via the Airport Express Line – which connects to the Mass Transit Railway (MTR) system – taxis, and buses across the city.

In 2022, a new hotel under Regal Hotels International – Regala Skycity Hotel – opened near the airport, adding 1,208 keys. The top competitors are the two existing nearby hotels, the Novotel Citygate Hong Kong in Tung Chung and the Hong Kong SkyCity Marriott Hotel adjacent to the AsiaWorld Expo. Nonetheless, due to its strategic location and accessibility to passenger ports, RAH is thought to have a competitive advantage. Furthermore, because those hotels have different market positioning and pricing strategies, competition is predicted to be modest.

According to the projections made in the HKIA Master Plan 2030, once the two HKIA projects – HKIA Terminal 2 and the three-runway system (3RS) extension projects – are finished by 2024, the HKIA will be able to extend its capacity to handle 30 million additional passengers per year. The massive commercial complex known as SkyCity opens in phases from 2022 to 2025. Three grade A office towers under K11 ATELIER were completed in 2022. The first phase of the commercial section known as 11 Skies began operating in the middle of 2023, and the more entertainment section is scheduled to launch in mid-2024. Upon completion, the whole development will contain over 800 shops including more than 120 dining concepts⁸². The development of new commercial and entertainment facilities in the vicinity, along with the operational SkyCity Transport Terminal since November 2023, has improved the connection of the HKIA neighborhood, including RAH.

Travel restrictions and precautionary measures were fully lifted in H1 2023 and the government's promotion of international events and activities continues in 2024, which attracts more visitors and benefits the hospitality sector. We expect the tourism market to gain momentum from increasing international and mainland overnight visitors in 2024, and the occupancy and average room rate will increase. We expect a slight recovery in the short and medium run and a full recovery in the long run.

⁸² Source: Press Release, New World Development, <https://www.nwd.com.hk/content/new-world-development-unveils-%E2%80%9C11-skies%E2%80%9D-%E2%80%93-first-destination-combine-wellness-and-wealth-0>

2. REGAL HONGKONG HOTEL

The Regal Hongkong Hotel (RHK) is located at 88 Yee Wo Street in Causeway Bay, a popular retail district in Hong Kong. The hotel has good accessibility thanks to various transportation options, including the MTR, taxis, buses, trams, and road networks. RHK is a few minutes walk from the Causeway Bay MTR Station.

RHK is close to a range of retail and entertainment options, including Sogo Department Store, Times Square, Hysan Place, Fashion Walk and Lee Gardens. The Hong Kong Stadium, Victoria Park, and Happy Valley Racecourse are famous sports and recreational facilities in the area that help RHK attract guests attending various events.

There was no record of any new hotel supply in Causeway Bay in 2023.

RHK, located in Hong Kong Island's famous shopping district, is in high demand from locals and visitors. Travel restrictions and precautionary measures were fully lifted in H1 2023 and the government's promotion of international events and activities continues in 2024, which attracts more visitors and benefits the hospitality sector. We expect the tourism market to gain momentum from increasing international and mainland overnight visitors in 2024, and the occupancy and average room rate will increase. We expect a slight recovery in the short and medium run and a full recovery in the long run.

3. REGAL KOWLOON HOTEL

The Regal Kowloon Hotel (RKH) is located at 71 Mody Road in Tsim Sha Tsui East, a traditional tourist and commercial district in Kowloon. Harbour City (which contains four areas: Ocean Terminal, Ocean Centre, Gateway Arcade, and The Marco Polo Hongkong Hotel Arcade), iSquare, K11 Musea, the One, the Hong Kong Cultural Centre, 1881 Heritage, and the Hong Kong Science Museum are all within walking distance. RKH is well-served by public transport, including the MTR, taxis, and buses connecting to other districts in Hong Kong.

The Hong Kong Cultural Centre, Hong Kong Museum of Art, and Hong Kong Space Museum are famous museums and performance venues in Tsim Sha Tsui. Moreover, two well-known museums: the Hong Kong Museum of History and the Hong Kong Science Museum, are in Tsim Sha Tsui East. The Avenue of Stars, a major tourist attraction, has increased foot traffic in the Tsim Sha Tsui harbourfront region, and the RKH is only a 10-minute walk away.

In 2023, Mondrian launch of the first Mondrian hotel in Greater China – Mondrian Hong Kong – situated in Tsim Sha Tsui. In addition, Regent Hong Kong (formerly InterContinental Hong Kong), is reopened in November 2023 after refurbishment. In 2024, a new hotel Kimpton Hong Kong will be completed at former Mariner's Club site, further adding 492 keys⁸³. These luxury hotels resemble the Rosewood Hotel, K11 Artus, and Page 148. Due to differences in scale of operation, location, and target markets, these hotels are unlikely to substantially influence or compete directly with RKH. In addition, the high demand for hotel rooms in Tsim Sha Tsui will likely digest any additional room supply quickly.

RKH, located in the heart of Kowloon, is in high demand from locals and visitors. Travel restrictions and precautionary measures were fully lifted in H1 2023 and the government's promotion of international events and activities continues in 2024, which attracts more visitors and benefits the hospitality sector. We expect the tourism market to gain momentum from increasing international and mainland overnight visitors in 2024, and the occupancy and average room rate will increase. We expect a slight recovery in the short and medium run and a full recovery in the long run.

⁸³ Source: Projects, Empire Group Holdings, <https://egh.com.hk/projects.html>

4. REGAL ORIENTAL HOTEL

The Regal Oriental Hotel (ROH) is situated at 30-38 Sa Po Road in Kowloon City, directly across the Kai Tak Development Area (KTDA). ROH is a few minutes walk from the Sung Wong Toi MTR Station. It is also closely connected to the surrounding industrial and economic districts of Kwun Tong, Kowloon Bay, Tsim Sha Tsui, and Mongkok in Kowloon by an arterial road, Prince Edward Road East. There are numerous tourist attractions nearby such as the Chi Lin Nunnery, Wong Tai Sin Temple, and Hau Wong Temple. As for shopping, dining, and entertainment options, a large retail and leisure facility - Festival Walk, can be accessed from Kowloon Tong MTR Station.

The section from Kai Tak to Hung Hom of the MTR Shatin-Central Link (SCL) Phase 1 was completed in June 2021, and the expansion and extension of the SCL Phase 2, which extends the East Rail Line from Hung Hom to Admiralty, completed in May 2022.⁸⁴ It reduces the travel time to about 15 minutes from Kowloon City to Admiralty, further enhancing ROH's accessibility.

The Kai Tak Development includes 320 hectares of land, including the former airport site and the hinterland districts of Wong Tai Sin, Kwun Tong, and Kowloon City. It is designed to revitalise the surrounding areas with a community, housing, business, tourism, and infrastructure development mix. The government has undertaken a review to raise the KTDA's development intensity and improve site planning. In two phases, 16,000 additional residential flats and about 400,000 sq. m. of commercial floor area will be built.⁸⁵

In 2023, Kai Tak's new mall, AIRSIDE opened in September 2023, providing over 700,000 sq. ft. of commercial spaces and 40 restaurants in the area⁸⁶. "The Twins" under SOGO's operator is also set to open in mid to late 2024 in phase. It will offer 1.1 million sq. ft. of retail space and host over 700 shops, including a SOGO department store⁸⁷. Furthermore, Kai Tak Sports Park is expected to be completed in phases by the end of 2024. Kai Tak Sports Park, spanning 28 hectares, is capable of hosting various international sports events and entertainment activities⁸⁸. Kai Tak is set to become a prominent destination for sports experiences, shopping, and entertainment, serving as a new landmark in Hong Kong, expected to attract more visitors, ultimately benefiting the Kai Tak neighborhood, including ROH.

There was no record of new hotel supply in nearby districts during 2023.

Travel restrictions and precautionary measures were fully lifted in H1 2023 and the government's promotion of international events and activities continues in 2024, which attracts more visitors and benefits the hospitality sector. We expect the tourism market to gain momentum from increasing international and mainland overnight visitors in 2024, and the occupancy and average room rate will increase. We expect a slight recovery in the short and medium run and a full recovery in the long run.

⁸⁴ Source: Mass Transit Railway Corporation, Press Release, www.mtr.com.hk/archive/corporate/en/press_release/PR-22-039-E.pdf

⁸⁵ Source: Information Services Department (ISD), 2017 Policy Address.

⁸⁶ Source: Announcement, Nan Fung Group, <https://www.nanfung.com/en/about-us/announcement/nan-fung-groups-flagship-mixed-use-complex-airside/>

⁸⁷ Source: "The Twins", Lifestyle International Holdings Ltd., <https://www.lifestylehk.com.hk/en/our-business>

⁸⁸ Source: Kai Tak Sports Park, MEHK, <https://www.mehongkong.com/eng/home/mice-ideas/detail/kai-tak-sports-park.html>

5. REGAL RIVERSIDE HOTEL

The Regal Riverside Hotel (RRH) is situated at 34-36 Tai Chung Kiu Road in Sha Tin, with a view of the Shing Mun River. The hotel is close to the Sha Tin MTR Station, making it convenient for guests to travel between Kowloon and mainland China. The construction of the Sha Tin to Central Link Phase 2, extending the railway from Hung Hom to Admiralty, has improved RRH's accessibility to other districts in Hong Kong.

Nearby, the New Town Plaza, Shatin Centre and Shatin Plaza Shopping Arcade offer extensive shopping and dining options. Shatin Racecourse and the Shing Mun River nearby provide sports and recreation activities.

After the completion of Alva Hotel in 2019, there has been no new hotel supply in Sha Tin or the surrounding regions. Since Alva Hotel's business scale and market positioning differ from RRH, it has a limited impact on RRH.

Travel restrictions and precautionary measures were fully lifted in H1 2023 and the government's promotion of international events and activities continues in 2024, which attracts more visitors and benefits the hospitality sector. We expect the tourism market to gain momentum from increasing international and mainland overnight visitors in 2024, and the occupancy and average room rate will increase. We expect a slight recovery in the short and medium run and a full recovery in the long run.

6. ICLUB WAN CHAI HOTEL

iclub Wan Chai Hotel (ICWC) is located at Johnston Road, Wan Chai, one of Hong Kong's most significant commercial areas, infused with the city's traditional culture. The Hong Kong Convention and Exhibition Centre (HKCEC) in Wan Chai North, which is close to the hotel, organises various conferences and events. ICWC is always an ideal choice for businessman as it is a convenient 15-minute walk from the Convention Centre. The hotel is also close to a cluster of prime office buildings, including the Sun Hung Kai Centre and the Great Eagle Centre, which house a diverse of firms.

The ICWC is also well-positioned to serve leisure travellers, bordered by Hennessy and Johnston Roads, which are lined with restaurants and specialised shops. Wan Chai is popular with leisure travellers due to its rich culture and ease of access via Wan Chai MTR Station, buses, taxis and trams; ferry service between Tsim Sha Tsui and Wan Chai is also available.

Moreover, the SCL Phase 2 has completed in May 2022, which extends the East Rail Line from Hung Hom to Admiralty. The extended East Rail Line now passes a new MTR station in Wan Chai – Exhibition Centre, reducing the travelling time to about 48 minutes from Lok Ma Chau to Wan Chai, which enhances ICWC's accessibility from mainland China⁸⁹.

Langham Hospitality Group launched a new hospitality brand, Ying'nFlo, and 2 new hotels – Ying'nFlo, Hong Kong and Ying'nFlo, Wesley Admiralty, Hong Kong – were opened in Wan Chai in 2022 and 2023 respectively, and the two hotels offers 321 keys in total⁹⁰. In Addition, Hopewell Holdings' development project of a conference hotel – Hopewell Centre II – is expected to be completed in 2024, which will provide approximately 1,000 guest rooms⁹¹. These hotels target affluent travellers, which is different to the targeting group of ICWC.

⁸⁹ Source: Mass Transit Railway Corporation, Trip Planner (Route Suggestion), www.mtr.com.hk/en/customer/jp/index.php

⁹⁰ Source: Press Release, Langham Hospitality Group, <https://www.langhamhospitalitygroup.com/en/media/latest-news/langham-hospitality-group-launches-ying-n-flo/>

⁹¹ Source: Hopewell Centre II, https://www.hopewellholdings.com/eng/hhl_hopewell_centre_II.htm

Located in a business area with good-quality office developments, ICWC commands strong demand from business travellers. Travel restrictions and precautionary measures were fully lifted in H1 2023 and the government's promotion of international events and activities continues in 2024, which attracts more visitors and benefits the hospitality sector. We expect the tourism market to gain momentum from increasing international and mainland overnight visitors in 2024, and the occupancy and average room rate will increase. We expect a slight recovery in the short and medium run and a full recovery in the long run.

7. ICLUB SHEUNG WAN HOTEL

The iclub Sheung Wan Hotel (ICSW) is located in Bonham Strand, Sheung Wan, a secondary business area close to Central with numerous Grade A office buildings, such as Shun Tak Centre, Cosco Tower, and 9 Des Voeux Road West. The hotel can be accessed via the MTR, trams, taxis, and buses. Tsim Sha Tsui and Kowloon Station are both within a 20-minute drive of the hotel through the Western Harbour Crossing. In addition, the Hong Kong-Macau Ferry terminal nearby which provides ferry and helicopter services, acts as a conduit for business travellers from Macau and mainland China. Situated in a prime location with good accessibility, ICSW catches a good quantity of business travellers.

Besides business travellers, the hotel is also able to attract leisure travellers. Cluster of stores along Wing Lok Street and Des Voeux Road West is a well-known area selling quality dried foods and Chinese medicines. Together with historical architecture, Sheung Wan attracts various leisure travellers.

There was no record of new hotel supply in nearby district during 2023.

Located near Central business area with good-quality office developments, ICSW commands strong demand from business travellers. Travel restrictions and precautionary measures were fully lifted in H1 2023 and the government's promotion of international events and activities continues in 2024, which attracts more visitors and benefits the hospitality sector. We expect the tourism market to gain momentum from increasing international and mainland overnight visitors in 2024, and the occupancy and average room rate will increase. We expect a slight recovery in the short and medium run and a full recovery in the long run.

8. ICLUB FORTRESS HILL HOTEL

iclub Fortress Hill Hotel (ICFH) is located in Merlin Street in North Point. North Point is a mature residential area and one of the primary decentralised commercial districts on Hong Kong Island. North Point is served by various modes of transportation, including the Mass Transit Railway, taxis, trams, and buses.

Fortress Hill is near to Quarry Bay - a decentralised commercial district with high-quality office projects, and Causeway Bay - a retail district with well-known shopping centres such as Times Square, Lee Gardens, Sogo Department Store, and Hysan Place. Commercial developments such as Lee & Man Commercial Centre, AIA Tower, and 148 Electric Road are office buildings in Fortress Hill. The East Coast Park Precinct, which opened in September 2021 and is only 10 minutes away from ICFH, provides a venue for families and pet owners to enjoy their leisure time. In addition, Victoria Park, the Hong Kong Stadium, and the Happy Valley Racecourse are in close proximity and can be reached by public transport and taxi.

In 2023, Vanke Hong Kong has officially opened its new hotel – the Stellar – in North Point, adding 164 keys in the area⁹². Due to the differences in business scale and market positioning between Stellar and ICFH, the influence of Stellar on ICFH is limited.

Located near to the MTR Fortress Hill Station with good accessibility to Kowloon and New Territories, ICFH will continue to be the prime choice of millennial travellers who are more prone to choose accommodation characterised by modern technology. Travel restrictions and precautionary measures were fully lifted in H1 2023 and the government’s promotion of international events and activities continues in 2024, which attracts more visitors and benefits the hospitality sector. We expect the tourism market to gain momentum from increasing international and mainland overnight visitors in 2024, and the occupancy and average room rate will increase. We expect a slight recovery in the short and medium run and a full recovery in the long run.

9. ICLUB TO KWA WAN HOTEL

iclub To Kwa Wan Hotel (ICTKW) (formerly iclub Ma Tau Wai Hotel) is located in Ha Heung Road in To Kwa Wan, an urban area characterised by old residential and industrial buildings as well as newly redeveloped residential buildings. The Kai Tak Development, part of the government’s Energising Kowloon East plan, is a major development in the region.

The section from Kai Tak to Hung Hom of the MTR Shatin-Central Link (SCL) Phase 1 was completed in June 2021, and the expansion and extension of the SCL Phase 2, which extends the East Rail Line from Hung Hom to Admiralty, completed in May 2022.⁹³ It reduces the travel time to about 15 minutes from Kowloon City to Admiralty, further enhancing ICTKW’s accessibility.

The Kai Tak Development includes 320 hectares of land, including the former airport site and the hinterland districts of Wong Tai Sin, Kwun Tong, and Kowloon City. It is designed to revitalise the surrounding areas with a community, housing, business, tourism, and infrastructure development mix. The government has undertaken a review to raise the KTDA’s development intensity and improve site planning. In two phases, 16,000 additional residential flats and about 400,000 sq. m. of commercial floor area will be built.⁹⁴

In 2023, Kai Tak’s new mall, AIRSIDE opened in September 2023, providing over 700,000 sq. ft. of commercial spaces and 40 restaurants in the area⁹⁵. “The Twins” under SOGO’s operator is also set to open in mid to late 2024 in phase. It will offer 1.1 million sq. ft. of retail space and host over 700 shops, including a SOGO department store⁹⁶. Furthermore, Kai Tak Sports Park is expected to be completed in phases by the end of 2024. Kai Tak Sports Park, spanning 28 hectares, is capable of hosting various international sports events and entertainment activities⁹⁷. Kai Tak is set to become a prominent destination for sports experiences, shopping, and entertainment, serving as a new landmark in Hong Kong, expected to attract more visitors, ultimately benefiting the Kai Tak neighborhood, including ICTKW.

⁹² Sources: Press Releases, Vanke, <https://www.vankehk.com/en/press-release/vanke-hong-kong-officially-named-its-hotel-and-serviced-apartments-as-the-stellar>

⁹³ Source: Mass Transit Railway Corporation, Press Release, www.mtr.com.hk/archive/corporate/en/press_release/PR-22-039-E.pdf

⁹⁴ Source: Information Services Department (ISD), 2017 Policy Address.

⁹⁵ Source: Announcement, Nan Fung Group, <https://www.nanfung.com/en/about-us/announcement/nan-fung-groups-flagship-mixed-use-complex-airside/>

⁹⁶ Source: “The Twins”, Lifestyle International Holdings Ltd., <https://www.lifestylehk.com.hk/en/our-business>

⁹⁷ Source: Kai Tak Sports Park, MEHK, <https://www.mehongkong.com/eng/home/mice-ideas/detail/kai-tak-sports-park.html>

There was no record of new hotel supply in nearby districts during 2023.

Located near to the MTR To Kwa Wan Station with enhanced accessibility to Yau Tsim Mong District and Hong Kong Island, ICTKW will continue to be the prime choice of millennial travellers who are more prone to choose accommodation characterised by modern technology. Travel restrictions and precautionary measures were fully lifted in H1 2023 and the government's promotion of international events and activities continues in 2024, which attracts more visitors and benefits the hospitality sector. We expect the tourism market to gain momentum from increasing international and mainland overnight visitors in 2024, and the occupancy and average room rate will increase. We expect a slight recovery in the short and medium run and a full recovery in the long run.

SUMMARY OF PROPERTY PORTFOLIO

As at 31st December, 2023

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

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

SUMMARY FINANCIAL INFORMATION

The summary of the results, the distributions and the assets and liabilities of the Group, as extracted from the published audited consolidated financial statements, is set out below.

Summary of the results and distributions

	Year ended 31st December, 2023 HK\$'000	Year ended 31st December, 2022 HK\$'000	Year ended 31st December, 2021 HK\$'000	Year ended 31st December, 2020 HK\$'000	Year ended 31st December, 2019 HK\$'000
Gross rental and hotel revenue	617,762	616,441	593,544	871,398	975,632
Net rental and hotel income	599,038	600,599	578,916	858,099	956,023
Profit/(Loss) before tax and distributions to Unitholders	246,324	966,097	631,731	(2,222,407)	(2,017,851)
Profit/(Loss) for the year, before distributions to Unitholders	265,736	929,896	577,087	(2,309,806)	(2,102,262)
Distribution income/(adjusted loss) for the year attributable to Unitholders	<u>(127,612)</u>	<u>204,759</u>	<u>310,848</u>	<u>491,355</u>	<u>445,220</u>
Total distributions per Unit	<u>—</u>	<u>HK\$0.061</u>	<u>HK\$0.086</u>	<u>HK\$0.136</u>	<u>HK\$0.124</u>

Summary of the assets and liabilities

	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets:					
Property, plant and equipment	636,000	604,000	575,000	543,000	614,000
Investment properties	23,352,000	22,949,000	22,149,000	21,829,000	24,517,000
Investment properties - right-of-use assets	—	—	—	—	21,787
Finance lease receivables	998	7,468	13,819	1,584	—
Current assets	<u>403,347</u>	<u>288,043</u>	<u>174,656</u>	<u>361,518</u>	<u>217,463</u>
Total assets	<u>24,392,345</u>	<u>23,848,511</u>	<u>22,912,475</u>	<u>22,735,102</u>	<u>25,370,250</u>
Current liabilities	1,223,162	5,882,679	331,129	4,864,557	883,905
Non-current liabilities	<u>10,095,310</u>	<u>5,157,968</u>	<u>10,434,435</u>	<u>5,939,685</u>	<u>9,815,252</u>
Total liabilities	<u>11,318,472</u>	<u>11,040,647</u>	<u>10,765,564</u>	<u>10,804,242</u>	<u>10,699,157</u>
Net assets attributable to Unitholders	<u>13,073,873</u>	<u>12,807,864</u>	<u>12,146,911</u>	<u>11,930,860</u>	<u>14,671,093</u>
Net asset value per Unit attributable to Unitholders	<u>HK\$4.014</u>	<u>HK\$3.932</u>	<u>HK\$3.729</u>	<u>HK\$3.663</u>	<u>HK\$4.504</u>



www.RegalREIT.com