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## REGAL REAL ESTATE INVESTMENT TRUST

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

(Stock Code: 1881)

Managed by



### 2022 ANNUAL RESULTS ANNOUNCEMENT

#### FINANCIAL AND BUSINESS HIGHLIGHTS

For the year ended 31st December, 2022

	2022 HK\$ million	2021 HK\$ million	% Change
Gross rental revenue	597.6	581.0	+2.9%
Gross hotel revenue	18.9	12.5	+51.2%
Net rental and hotel income	600.6	578.9	+3.7%
Profit for the year, before distributions to Unitholders*	929.9	577.1	+61.1%
Core profit, excluding fair value changes on investment properties	175.2	267.8	-34.6%
Distributable income for the year attributable to Unitholders	<u>204.8</u>	<u>310.8</u>	-34.1%
Total assets	<u>23,848.5</u>	<u>22,912.5</u>	+4.1%
Net assets attributable to Unitholders	<u>12,807.9</u>	<u>12,146.9</u>	+5.4%
Final distribution per Unit	<u>HK\$0.010</u>	<u>HK\$0.041</u>	-75.6%
Total distributions per Unit	<u>HK\$0.061</u>	<u>HK\$0.086</u>	-29.1%
Net Asset Value per Unit attributable to Unitholders	<u>HK\$3.932</u>	<u>HK\$3.729</u>	+5.4%

\* Includes revaluation surplus of HK\$754.7 million and HK\$309.3 million (after taking into account capital expenditures incurred) that arose from fair value changes on investment properties based on independent valuer appraisals as at 31st December, 2022 and 31st December, 2021, respectively.

- Net rental and hotel income amounted to HK\$600.6 million (2021: HK\$578.9 million).
- Profit for the year, before distributions to Unitholders, amounted to HK\$929.9 million (2021: HK\$577.1 million), including a fair value gain of HK\$754.7 million (2021: HK\$309.3 million) arising from the increase in the appraised values of the investment properties.
- Core profit, excluding the fair value changes on investment properties, amounted to HK\$175.2 million (2021: HK\$267.8 million).
- Total distributable income amounted to HK\$204.8 million, as compared to HK\$310.8 million reported in 2021. The decrease was mainly attributable to the increase in the financial expenses incurred due to the rise in HIBOR, on which the borrowing costs of the bank loans of Regal REIT are based, particularly since the second half of 2022.
- As at 31st December, 2022, net assets attributable to Unitholders amounted to HK\$12,807.9 million, representing a net asset value of HK\$3.932 per Unit (31st December, 2021: HK\$3.729 per Unit).
- Final distribution of HK\$0.010 per Unit for 2022 (2021: HK\$0.041 per Unit). Total distributions will amount to HK\$0.061 per Unit for 2022 (2021: total distributions of HK\$0.086 per Unit), representing a payout ratio of 97.0% of the total distributable income for 2022 (2021: 90.1%).
- Regal REIT presently owns a portfolio of nine operating hotels in Hong Kong, comprising 5 hotels under the full-service Regal brand and 4 hotels under select-service iclub brand, commanding total room count of over 4,900 rooms. Apart from iclub Wan Chai Hotel which is self-operated by Regal REIT, 5 Regal Hotels and the other 3 iclub Hotels have been leased to a wholly-owned subsidiary of Regal Hotels International Holdings Limited, the intermediate listed parent of Regal REIT.
- The aggregate annual base rent for the 5 Regal Hotels for 2023 was determined to be HK\$480.0 million, slightly above the aggregate base rent of HK\$475.0 million for 2022.

- **The aggregate base rent for the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel for 2023 was determined to be HK\$92.0 million, which is an increase of approximately 13.6% above their aggregate base rent for 2022.**
- **The visitor arrivals to Hong Kong in 2022 represented less than 1% of their peak record during the pre-pandemic times. The pent up demand for travelling to Hong Kong is significant and we expect the tourism industry in Hong Kong to stage a strong recovery in 2023.**
- **As there are many large scale international meetings, incentive travels, conventions and exhibition events that are planned to be staged in Hong Kong in 2023, we also anticipate business travel to Hong Kong to rapidly revive.**
- **The hike in the lending interest rates since the beginning of the second half of 2022 is having a negative impact on the business operations of the hotel owners in Hong Kong. Although Regal REIT is enjoying stable rental income, if the lending interest rates in Hong Kong continue to persist at the present or at even higher levels, the distributable income of Regal REIT during that period may be adversely affected.**
- **The REIT Manager firmly believes in the future of the hotel industry in Hong Kong as well as the long term prosperity of the hotel properties owned by Regal REIT.**

## **FINANCIAL RESULTS**

For the year ended 31st December, 2022, Regal Real Estate Investment Trust (“**Regal REIT**”) recorded a consolidated profit before distributions to unitholders of Regal REIT (the “**Unitholders**”) of HK\$929.9 million, as compared to a profit of HK\$577.1 million for the financial year 2021. The profit recorded for the year under review included a fair value gain of HK\$754.7 million arising from the increase in the appraised values of Regal REIT’s investment property portfolio, after accounting for the additional capital expenditures incurred, while for the comparative year in 2021, a fair value gain of HK\$309.3 million was recorded. If the effects of the fair value changes are excluded, the core profit before distributions to Unitholders for 2022 would amount to HK\$175.2 million, as compared to HK\$267.8 million for the preceding year.

Total distributable income for the year under review amounted to HK\$204.8 million, as compared to HK\$310.8 million reported in 2021. The decrease in the total distributable income was mainly attributable to the increase in the financial expenses incurred due to the rise in the Hong Kong Interbank Offered Rates (**HIBOR**), on which the borrowing costs of the bank loans of Regal REIT are based, particularly since the second half of 2022.

The board of directors (the “**Directors**”) of Regal Portfolio Management Limited (the “**REIT Manager**”) has resolved to declare a final distribution of HK\$0.010 per unit of Regal REIT (the “**Unit**”) for the year ended 31st December, 2022 (2021: HK\$0.041). Together with the interim distribution of HK\$0.051 (2021: HK\$0.045) per Unit paid, this brings the total distributions per Unit for 2022 to HK\$0.061, which is 29.1% lower than the total distributions of HK\$0.086 per Unit in 2021. Total distributions for the year, including both the interim and final distributions, will amount to HK\$198.7 million (2021: HK\$280.1 million) and represent a payout ratio of 97.0% of the total distributable income for 2022 (2021: 90.1%).

#### **CLOSURE OF REGISTER OF UNITHOLDERS**

The Register of Unitholders will be closed from Monday, 15th May, 2023 to Thursday, 18th May, 2023, both days inclusive, during which period no transfers of Units will be effected. In order to qualify for the distribution, all Unit certificates with completed transfer forms must be lodged with Regal REIT’s Unit registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 12th May, 2023. The relevant distribution warrants are expected to be despatched on or about 29th May, 2023.

#### **HOTEL MARKET AND BUSINESS REVIEW**

During the year under review, global economic conditions have deteriorated sharply, mainly caused by the declining confidence along with high inflation, rapid monetary policy tightening in many advanced economies as well as the disruptions associated with the war in Ukraine. Under this difficult external environment, coupled with the negative impact on economic activities due to the COVID-19 related restrictions that were imposed domestically in China for the most part of the year, China’s Gross Domestic Product (**GDP**) for the year only posted a growth of 3.0%, which was below the target of 5.5% set in early 2022. In Hong Kong, both external exports and domestic demand also declined, with its GDP having contracted by 3.5% in 2022.

Stringent travel and quarantine measures continued to be imposed in Hong Kong until the end of the third quarter in 2022. While there was a mild rebound of visitor arrivals in the fourth quarter, incoming visitors to Hong Kong for the whole year of 2022 only totalled 604,600, including 375,130 visitors from Mainland China. Although this total number reflected an increase of more than 5 times year-on-year, due to the very low comparative base in 2021, it represented less than 1% of the total visitor arrivals to Hong Kong in 2018 prior to the outbreak of the pandemic.

Based on a hotel survey published by the Hong Kong Tourism Board (“**HKTB**”), the average hotel occupancy rate for all the surveyed hotels in different categories in 2022 was 66.0%, an increase of 3.0 percentage points from 2021, while the industry-wide average room rate improved by 23.8%, with the average Revenue per Available Room (“**RevPAR**”) having overall increased by 29.7% year-on-year.

Regal REIT presently owns a portfolio of nine operating hotels in Hong Kong, comprising five hotels under the full-service Regal brand and four hotels under the select-service iclub brand, commanding a total room count of over 4,900 rooms.

Apart from the iclub Wan Chai Hotel, all the five Regal hotels (the “**Initial Hotels**”) and the other three iclub hotels have been leased to a wholly-owned subsidiary of Regal Hotels International Holdings Limited (“**RHIHL**”), the intermediate listed parent of Regal REIT, for hotel operations. Under the terms of their respective leases, their market rental packages were determined annually by an independent professional property valuer jointly appointed by the lessors and the lessee.

In late September 2022, the Hong Kong Government removed the compulsory quarantine requirements on incoming visitors, which officially marked the closure of the Designated Quarantine Hotel Scheme (“**DQHS**”). Five of our hotels, namely, the Regal Airport Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel (formerly known as the iclub Ma Tau Wai Hotel), which were previously enrolled in different cycles of the DQHS and the Community Isolation Facility (“**CIF**”) scheme during 2022, have since resumed their normal hotel business operations.

As mentioned in my Chairman's Statement in the Interim Report 2022 of Regal REIT, the hotel portfolio of Regal REIT was able to secure substantial improvement in their operating performance in the first half of 2022, mainly benefiting from the steady income earned by those hotels that were operating under the DQHS or CIF scheme. Following the ending of the quarantine scheme in September 2022, the supply of hotel rooms in Hong Kong was refilled with the room inventories of the hotels that were previously operating as quarantine hotels or facilities and this has led to even more intense competition in the local hotel market. Additionally, due to the transitional time required by those of our hotels to prepare for the resumption of normal hotel business operation, after having been operated as quarantine hotels or facilities for some period of time, the operating income of Regal REIT's hotel portfolio in the second half of 2022 was lower than the level attained in the first half.

For year 2022 as a whole, the five Initial Hotels overall operated satisfactorily, with their combined average occupancy rate, combined average room rate and, consequently, their combined RevPAR all having improved substantially year-on-year. In accordance with the terms of the market rental packages, the Initial Hotels generated aggregate base rent of HK\$475.0 million. For year 2023, the aggregate annual base rent has been determined to be HK\$480.0 million, which is slightly higher than the aggregate base rent for 2022, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income ("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, which were also leased to the RHIHL lessee, likewise achieved substantial improvement in their hotel operations during the year. These three hotels generated rental receipts of HK\$119.4 million for 2022, which included variable rent of HK\$10.8 million earned by the iclub Fortress Hill Hotel. The initial lease term for the iclub To Kwa Wan Hotel expired in September 2022 and the REIT Manager has exercised its option under the lease agreement to extend the lease term to 31st December, 2027.

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 2023 was determined to be HK\$92.0 million, which was approximately 13.6% above their aggregate base rent in 2022, 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 is the only hotel self-operated by Regal REIT but also managed by the RHIHL group. Due to its convenient location and its relatively small room inventory, this hotel continued to operate favourably and generated improved operating profit during the year.

## **BUSINESS OUTLOOK**

Normal travel between Hong Kong and the Mainland has resumed in phases from early January this year and all borders with the Mainland were later reopened for normal operation in early February. In the meantime, the Hong Kong Government has also cancelled the requirement for the isolation of people infected with COVID-19 and relaxed most of the health control measures, paving the way for Hong Kong to return to full normalcy. Bearing in mind that the visitor arrivals to Hong Kong in 2022 represented less than 1% of their peak record during the pre-pandemic times, the pent up demand for travelling to Hong Kong is significant and we expect the tourism industry in Hong Kong to stage a strong recovery in 2023.

The Hong Kong Government and the HKTB have been actively promoting a large-scale “Hello Hong Kong” campaign, including the giving away of 500,000 free airline tickets, aimed to attract tourists to Hong Kong from all over the world. At the same time, we also anticipate business travel to Hong Kong to rapidly revive, as over 30 large-scale international meetings, incentive travels, conventions and exhibition events are planned to be staged in Hong Kong in 2023, including some events that will be held in Hong Kong for the first time.

While the REIT Manager is confident of the revival of the tourism and hospitality industry in Hong Kong in 2023, the hike in the lending interest rates since the beginning of the second half of 2022 is having a negative impact on the business operations of the hotel owners in Hong Kong. Although Regal REIT is enjoying stable rental income, if the lending interest rates in Hong Kong continue to persist at the present or at even higher levels, the distributable income of Regal REIT during that period may be adversely affected.

Nevertheless, the REIT Manager firmly believes in the future of the hotel industry in Hong Kong as well as the long term prosperity of the hotel properties owned by Regal REIT.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operational Review

The Initial Hotels have operated under different business modes and their combined average occupancy rate in 2022 was 62.3% as compared to 57.3% in the prior year. Their combined average room rate increased significantly by 73.3% and their combined average RevPAR has risen by 88.5% year-on-year. During the year under review, Regal REIT received aggregate base rent in cash of HK\$475.0 million from Favour Link International Limited for the leases of the Initial Hotels. For the year, the aggregate NPI from hotel operations of the Initial Hotels amounted to HK\$390.2 million, which was below the aggregate base rent of HK\$475.0 million. Therefore, no variable rent was earned.

The year-round average occupancy rate of iclub Wan Chai Hotel was 92.6% in 2022, as compared to 82.0% in 2021. Over the same comparative period, its average room rate increased by 33.6%, with its average RevPAR consequently improved by 50.9% year-on-year. iclub Wan Chai Hotel – hotel portion contributed gross hotel revenue of HK\$18.9 million and incurred operating costs and expenses of HK\$12.3 million. iclub Wan Chai Hotel – non-hotel portions generated rental income of HK\$5.4 million for the year under review.

For the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, their combined average occupancy rate for the year was 78.5%, which was 0.8 percentage point above the level in 2021. At the same time, their combined average room rate increased by 107.2%, resulting in a year-on-year growth of 109.2% in their average combined RevPAR.

During the year ended 31st December, 2022, Regal REIT received base rent of HK\$27.0 million for the leasing of the iclub Sheung Wan Hotel. As the NPI from hotel operations of the iclub Sheung Wan Hotel was HK\$18.3 million, which fell short of the base rent of HK\$27.0 million, no variable rent was earned.

During the year ended 31st December, 2022, Regal REIT received base rent of HK\$27.0 million for the leasing of the iclub Fortress Hill Hotel and, as the NPI from hotel operations of the iclub Fortress Hill Hotel was HK\$48.5 million, variable rent of HK\$10.8 million was earned for the year.

For 2022, the iclub To Kwa Wan Hotel achieved an overall average occupancy rate of 70.0%, as compared to 70.5% in 2021. Its average room rate has increased by 62.9%, resulting in a year-on-year growth of 61.9% in its average RevPAR. For this iclub To Kwa Wan Hotel, Regal REIT received cash rentals of HK\$45.9 million, including the pro-rated fixed rental income of HK\$41.2 million recognised on a straight-line basis for the period from 1st January, 2022 to 3rd September, 2022. Thereafter, according to the determined market rental package for the period from 4th September, 2022 to 31st December, 2022, the pro-rated base rent amounted to HK\$8.8 million and no variable rent was receivable for the period.

### **Financial Review**

As at 31st December, 2022, Regal REIT's loan facilities aggregating HK\$10,470.0 million, with varying maturity terms, were comprised of: (a) term and revolving loan facilities of up to HK\$5,000.0 million secured by four of the five Initial Hotels; (b) a term loan facility of HK\$2,950.0 million secured by Regal Kowloon Hotel; (c) a term loan facility of HK\$405.0 million secured by the iclub Wan Chai Hotel; (d) term and revolving loan facilities of up to HK\$790.0 million secured by the iclub Sheung Wan Hotel; (e) term and revolving loan facilities of up to HK\$704.0 million secured by the iclub Fortress Hill Hotel; and (f) a term loan facility of HK\$621.0 million secured by the iclub To Kwa Wan Hotel.

The facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$500.0 million (the “**2021 IH Facilities**”), concluded on 10th August, 2021 through Regal REIT's wholly-owned subsidiaries, were secured by four of the five Initial Hotels, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel. The 2021 IH Facilities have a term of five years and carry interest based on HIBOR. As at 31st December, 2022, the 2021 IH Facilities had an outstanding amount of HK\$4,801.0 million, representing the full amount of the term loan facility and an amount of HK\$301.0 million under the revolving loan facility.

On 8th March, 2018, Regal REIT arranged, through a wholly-owned subsidiary, a bilateral term loan facility of HK\$3,000.0 million (the “**2018 RKH Facility**”), secured by a mortgage over the Regal Kowloon Hotel. This facility bore HIBOR-based interest and had a term of five years to March 2023. In late June 2022, Regal REIT concluded a 5-year term loan facility of HK\$2,950.0 million (the “**2022 RKH Facility**”) with a new lender, similarly secured by the Regal Kowloon Hotel, which was used to refinance the 2018 RKH Facility. The 2022 RKH Facility carries interest based on HIBOR and has loan maturity in June 2027. As at 31st December, 2022, the outstanding amount of the 2022 RKH Facility was HK\$2,950.0 million, representing the full amount of the term loan facility.

A term loan facility agreement for a principal amount of HK\$440.0 million (the “**2019 WC Facility**”), with a term of five years to July 2024, was entered into by a wholly-owned subsidiary of Regal REIT on 19th July, 2019. The 2019 WC Facility was secured by the iclub Wan Chai Hotel and bears HIBOR-based interest throughout its term and its principal amount was revised to HK\$405.0 million on 22nd June, 2020 for compliance with an undertaking in the facility agreement. As at 31st December, 2022, the outstanding facility amount of the 2019 WC Facility was HK\$405.0 million.

As at 31st December, 2022, the 2022 RKH Facility and the 2019 WC Facility (the “**Relevant Loans**”) were classified as current liabilities, as the 2022 RKH Facility was deemed to have been in breach and the 2019 WC Facility was in breach of certain loan covenants under the relevant loans agreements related to interest coverage ratio (“**ICR**”) as at that date. Subsequent to the year end date, Regal REIT has secured from the bank lenders of the Relevant Loans waivers on the ICR breaches and confirmations that the loans remain repayable on their original maturity dates in 2027 and 2024, respectively. Despite the waivers and confirmations so obtained, the Relevant Loans were still classified as current liabilities as at 31st December, 2022, in order to comply with the applicable accounting standards. As of the date of approval of these financial statements, having obtained the waivers from the bank lenders, there are no longer any deemed breach or breach of the ICR related loan covenants under the Relevant Loans as at 31st December, 2022.

On 19th October, 2018, Regal REIT arranged, through a wholly-owned subsidiary, a bilateral loan facility of up to HK\$790.0 million, comprising of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million and secured by the iclub Sheung Wan Hotel (the “**2018 SW Facilities**”). The 2018 SW Facilities bear HIBOR-based interest with a five-year term to October 2023. As at 31st December, 2022, the utilised amount of the 2018 SW Facilities was HK\$790.0 million, representing the full amount of the term loan facility and a revolving loan amount of HK\$158.0 million.

On 29th November, 2018, Regal REIT arranged, through a wholly-owned subsidiary, another bilateral loan facility of up to HK\$825.0 million, comprising of a term loan facility of HK\$660.0 million and a revolving loan facility of up to HK\$165.0 million (subsequently reduced to HK\$44.0 million in September 2020) and secured by the iclub Fortress Hill Hotel (the “**2018 FH Facilities**”). The 2018 FH Facilities bear HIBOR-based interest and have a term of five years to November 2023. As at 31st December, 2022, the outstanding amount of the 2018 FH Facilities was HK\$704.0 million, representing the full amount of the term loan facility and HK\$44.0 million of the revolving loan facility.

On 4th September, 2017, Regal REIT arranged, through a wholly-owned subsidiary, a term loan facility of HK\$748.0 million, secured by the iclub To Kwa Wan Hotel (the “**2017 TKW Facility**”), with a term of three years to September 2020 and bearing HIBOR-based interest. On 27th August, 2020, a supplement to the 2017 TKW Facility agreement was entered into to amend the principal loan amount to HK\$621.0 million for a new term of three years to September 2023 (the “**2020 TKW Facility**”). As at 31st December, 2022, the outstanding amount of the 2020 TKW Facility was HK\$621.0 million, representing the full amount of the term loan facility.

During the year under review, HIBOR was on an upward trend with the 1-month HIBOR rate fluctuating within a wide range of around 0.13% per annum in January 2022 to a peak of 5.08% per annum on 6th December, 2022, and staying at around 4.35% per annum on 31st December, 2022. The interest cost components in respect of all the loan facilities of Regal REIT are presently subject to floating HIBOR-based interest rates. The REIT Manager will continue to monitor the interest rate trend and to assess any needs to contain or hedge the exposure of the floating interest rate against rate hikes.

As at 31st December, 2022, the gearing ratio of Regal REIT was 43.1% (2021: 43.9%), being the gross amount of the outstanding loans aggregating HK\$10,271.0 million, which takes into account: (a) the 2021 IH Facilities of HK\$4,801.0 million; (b) the 2022 RKH Facility of HK\$2,950.0 million; (c) the 2019 WC Facility of HK\$405.0 million; (d) the 2018 SW Facilities of HK\$790.0 million; (e) the 2018 FH Facilities of HK\$704.0 million; and (f) the 2020 TKW Facility of HK\$621.0 million, as compared to the total gross assets of Regal REIT of HK\$23,848.5 million. The gearing ratio is below the maximum 50% permitted under the Code on Real Estate Investment Trusts (the “**REIT Code**”).

Regal REIT had a total of HK\$141.3 million in unrestricted and HK\$124.4 million in restricted cash balances and bank deposits, and unutilised revolving loan facilities of HK\$199.0 million as at 31st December, 2022. 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, 2022, all nine Regal REIT properties with an aggregate carrying value of HK\$23,553.0 million were pledged to secure bank loan facilities granted to Regal REIT.

## Valuation of the Property Portfolio

As at 31st December, 2022, Regal REIT's overall property portfolio was valued at HK\$23,553.0 million (31st December, 2021: HK\$22,724.0 million). The property portfolio is comprised of (i) the five Initial Hotels, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel, the iclub 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\$22,949.0 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\$604.0 million.

Valuations of the properties as at 31st December, 2022 and 31st December, 2021 are tabulated below.

<b>Property</b>	<b>Location</b>	<b>31 Dec 2022 Valuation HK\$ million</b>	<b>31 Dec 2021 Valuation HK\$ million</b>	<b>% Change</b>
<i>Initial Hotels:</i>				
Regal Airport Hotel	Lantau Island	1,710	1,970	-13.2%
Regal Hongkong Hotel	HK Island	4,250	4,040	5.2%
Regal Kowloon Hotel	Kowloon	5,808	5,480	6.0%
Regal Oriental Hotel	Kowloon	1,790	1,700	5.3%
Regal Riverside Hotel	New Territories	4,920	4,660	5.6%
		<u>18,478</u>	<u>17,850</u>	<b>3.5%</b>
<i>iclub Hotels:</i>				
iclub Wan Chai Hotel	HK Island	800	767	4.3%
iclub Sheung Wan Hotel	HK Island	1,472	1,416	4.0%
iclub Fortress Hill Hotel	HK Island	1,503	1,441	4.3%
iclub To Kwa Wan Hotel	Kowloon	1,300	1,250	4.0%
<b>Overall property portfolio</b>		<u><u>23,553</u></u>	<u><u>22,724</u></u>	<b>3.6%</b>

The valuations of the property portfolio as at 31st December, 2022 were conducted by Colliers International (Hong Kong) Limited (“Colliers”), the principal valuer of Regal REIT appointed by the trustee of Regal REIT for a term of three years commencing from December 2021 pursuant to the provisions of the REIT Code.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>			
Gross rental revenue	5	597,566	581,037
Gross hotel revenue	5	18,875	12,507
		<u>616,441</u>	<u>593,544</u>
Property and hotel operating expenses		<u>(15,842)</u>	<u>(14,628)</u>
Net rental and hotel income	5	600,599	578,916
Interest income		438	297
Depreciation	10	(7,935)	(7,710)
Fair value changes on investment properties	11	754,688	309,281
REIT Manager fees	6	(89,595)	(86,112)
Trust, professional and other expenses		(10,249)	(11,522)
Finance costs – excluding distributions to Unitholders	7	<u>(281,849)</u>	<u>(151,419)</u>
<b>Profit before tax and distributions to Unitholders</b>		<b>966,097</b>	<b>631,731</b>
Income tax expense	8	<u>(36,201)</u>	<u>(54,644)</u>
<b>Profit for the year, before distributions to Unitholders</b>		<b>929,896</b>	<b>577,087</b>
Finance costs – distributions to Unitholders		<u>(299,684)</u>	<u>(394,149)</u>
<b>Profit for the year, after distributions to Unitholders</b>		<b>630,212</b>	<b>182,938</b>
<b>Earnings per Unit attributable to Unitholders</b>			
Basic and diluted	9	<u>HK\$0.285</u>	<u>HK\$0.177</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Profit for the year, before distributions to Unitholders</b>		<b>929,896</b>	577,087
<b>Other comprehensive income</b>			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on revaluation of property	10	<b>36,815</b>	39,656
Income tax effect	17	<b>(6,074)</b>	(6,543)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<b>30,741</b>	33,113
<b>Other comprehensive income for the year, net of tax</b>		<b>30,741</b>	33,113
<b>Total comprehensive income for the year, before distributions to Unitholders</b>		<b>960,637</b>	610,200

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	604,000	575,000
Investment properties	11	22,949,000	22,149,000
Finance lease receivables		7,468	13,819
Total non-current assets		<u>23,560,468</u>	<u>22,737,819</u>
<b>Current assets</b>			
Accounts receivable	12	884	4,919
Prepayments, deposits and other receivables		6,500	6,930
Due from related companies		2,747	1,419
Tax recoverable		5,871	1,182
Finance lease receivables		6,351	6,821
Restricted cash		124,354	99,233
Cash and cash equivalents		141,336	54,152
Total current assets		<u>288,043</u>	<u>174,656</u>
<b>Total assets</b>		<u>23,848,511</u>	<u>22,912,475</u>
<b>Current liabilities</b>			
Accounts payable	13	70,028	32,105
Deposits received		10,151	208
Due to related companies		521	401
Other payables and accruals		60,775	25,036
Contract liabilities		1,096	440
Interest-bearing bank borrowings	14	5,727,031	248,000
Lease liabilities		6,351	6,821
Tax payable		6,726	18,118
Total current liabilities		<u>5,882,679</u>	<u>331,129</u>
<b>Net current liabilities</b>		<u>(5,594,636)</u>	<u>(156,473)</u>
<b>Total assets less current liabilities</b>		<u>17,965,832</u>	<u>22,581,346</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)***As at 31st December, 2022*

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current liabilities, excluding net assets attributable to Unitholders</b>			
Interest-bearing bank borrowings		4,454,189	9,744,044
Lease liabilities		7,468	13,819
Deposits received		–	2,667
Deferred tax liabilities	17	696,311	673,905
Total non-current liabilities		<u>5,157,968</u>	<u>10,434,435</u>
<b>Total liabilities, excluding net assets attributable to Unitholders</b>			
		<u>11,040,647</u>	<u>10,765,564</u>
<b>Net assets attributable to Unitholders</b>			
		<u>12,807,864</u>	<u>12,146,911</u>
<b>Number of Units in issue</b>			
	15	<u>3,257,431,189</u>	<u>3,257,431,189</u>
<b>Net asset value per Unit attributable to Unitholders</b>			
	16	<u>HK\$3.932</u>	<u>HK\$3.729</u>

## DISTRIBUTION STATEMENT

For the year ended 31st December, 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Profit for the year, before distributions to Unitholders</b>		<b>929,896</b>	577,087
Adjustments:			
Difference in accounting rental income and contractual cash rental income		<b>4,675</b>	4,538
Amounts set aside for the furniture, fixtures and equipment reserve	(d)	<b>(24,104)</b>	(15,348)
Amortisation of debt establishment costs		<b>24,713</b>	21,824
Fair value changes on investment properties		<b>(754,688)</b>	(309,281)
Depreciation		<b>7,935</b>	7,710
Deferred tax charges		<b>16,332</b>	24,318
<b>Distributable income for the year</b>	(a) & (b)	<b>204,759</b>	310,848
		<b>HK\$</b>	<b>HK\$</b>
<b>Distributions per Unit:</b>			
Interim	(a)	<b>0.051</b>	0.045
Final	(b) & (c)	<b>0.010</b>	0.041
		<b>0.061</b>	0.086

Notes:

- (a) Pursuant to the Trust Deed, Regal REIT is required to ensure that the total amount distributed to Unitholders shall not be less than 90% of Regal REIT's total distributable income for each financial year. 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. The amount of any distribution for the interim period of each financial year is at the discretion of the REIT Manager. The REIT Manager on this basis made an interim distribution of HK\$0.051 per Unit for the six months ended 30th June, 2022, resulting in a total amount of interim distribution of HK\$166.1 million.
- (b) Pursuant to the Trust Deed, the REIT Manager determines the date (the "**Record Date**") in respect of each distribution period for the purpose of establishing Unitholder entitlements to distributions. The Record Date has been set as 18th May, 2023 in respect of the final distribution for the period from 1st July, 2022 to 31st December, 2022. The final distribution will be paid out to Unitholders on or about 29th May, 2023. The total amount of final distribution to be paid to Unitholders of HK\$32.6 million is arrived at based on the final distribution per Unit of HK\$0.010 and the number of Units expected to be in issue at the Record Date that are entitled to distributions. The total distributions to Unitholders for the year, being the total of the interim distribution of HK\$166.1 million and the final distribution of HK\$32.6 million, amounts to HK\$198.7 million or 97.0% of the total distributable income for the year.
- (c) The final distribution of HK\$0.010 per Unit for the period from 1st July, 2022 to 31st December, 2022, involving an amount of HK\$32.6 million, was resolved and declared by the REIT Manager on 27th March, 2023. Accordingly, the distribution is not reflected as a distribution payable in the consolidated financial statements and will be reflected in the consolidated financial statements for the year ending 31st December, 2023. The final distribution for the period from 1st July, 2021 to 31st December, 2021 of HK\$133.5 million is included in the amount of distributions paid during the year as reported in the consolidated financial statements.
- (d) Amounts set aside by Regal REIT for the furniture, fixtures and equipment reserve with respect to the Initial Hotels, iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel aggregated HK\$24.1 million (2021: HK\$15.3 million).

## Notes:

### 1. GENERAL

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

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

### 2. BASIS OF PREPARATION

The 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 and accounting principles generally accepted in Hong Kong. In addition, the 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. The 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, 2022, the Group's current liabilities exceeded its current assets by HK\$5,594,636,000 (2021: HK\$156,473,000). Apart from certain loan facilities in an aggregate principal amount of HK\$1,963,000,000 maturing within the next twelve months and the revolving loans of HK\$503,000,000 that were classified under current liabilities, there were two long term loans with an aggregate principal amount of HK\$3,305,000,000 which have maturity dates beyond 2023 (the "**Relevant Loans**") but were classified as current liabilities as at the end of the reporting period. The Relevant Loans related to (1) a loan facility with an outstanding principal amount of HK\$2,900,000,000 which was deemed to have been in breach of a loan covenant related to the interest coverage ratio ("**ICR**") as at 31st December, 2022 (which has built-in cash cure remedy provision); and (2) a loan facility with an outstanding principal amount of HK\$405,000,000 which was in breach of a loan covenant related to ICR as at 31st December, 2022. Subsequent to the year end date, the Group has secured from the bank lenders of the Relevant Loans waivers on the ICR breaches and confirmations that the Relevant Loans remain repayable on their original maturity dates in 2027 and 2024, respectively, subject in each case to the topping up of the interest reserve with an additional 3-month interest payment. 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. As of the date of approval of these financial statements, having obtained the waivers from the bank lenders, there are no longer any deemed breach or breach of the ICR related loan covenants under the Relevant Loans as at 31st December, 2022.

Taking into account the stable operating cash inflows to be generated from rental income and the Group's unutilised revolving loan facilities, together with the refinancing of the loan facilities maturing within the next twelve months, the REIT Manager considers the Group has adequate resources to meet its liabilities, commitments and funding requirements as and when they fall due within one year from the end of the reporting period. Accordingly, the REIT Manager continues to adopt the going concern basis in preparing the consolidated financial statements.

The basis of preparation and accounting policies adopted in the financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31st December, 2022 except for the adoption of the revised standards as disclosed in note 3 below.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the Amendments to HKAS 16 and HKAS 37, which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the revised HKFRSs are described below.

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June, 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1st January, 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1st January, 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

#### 4. OPERATING SEGMENT INFORMATION

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

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

	<b>Hotel Properties HK\$'000</b>	<b>Mixed Use Property HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue</b>			
Gross rental revenue	592,102	5,464	597,566
Gross hotel revenue	—	18,875	18,875
Total	<u>592,102</u>	<u>24,339</u>	<u>616,441</u>
<b>Segment results</b>	<u>589,220</u>	<u>11,379</u>	<u>600,599</u>
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>

The operating segments of the Group for the year ended 31st December, 2021 were as follows:

	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
<b>Segment revenue</b>			
Gross rental revenue	575,279	5,758	581,037
Gross hotel revenue	–	12,507	12,507
Total	<u>575,279</u>	<u>18,265</u>	<u>593,544</u>
<b>Segment results</b>	<u>572,709</u>	<u>6,207</u>	578,916
Fair value changes on investment properties	302,281	7,000	309,281
Depreciation	–	(7,710)	(7,710)
Interest income			297
REIT Manager fees			(86,112)
Trust, professional and other expenses			(11,522)
Finance costs – excluding distributions to Unitholders			<u>(151,419)</u>
Profit before tax and distributions to Unitholders			<u>631,731</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, 2022, the Group's segment assets, comprised of the aggregate fair values of the investment properties and property, plant and equipment in the hotel properties segment and the mixed use property segment, amounted to HK\$22,753,000,000 (2021: HK\$21,957,000,000) and HK\$800,000,000 (2021: HK\$767,000,000), respectively.

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

### Other segment information

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

	Year ended 31st December, 2021		
	Hotel	Mixed Use	Total
	Properties	Property	
	HK\$'000	HK\$'000	HK\$'000
Capital expenditures	<u>10,719</u>	<u>54</u>	<u>10,773</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, 2022, revenue of HK\$592,102,000 (2021: HK\$575,279,000) was derived from the lease of hotel properties to a single lessee which is a related company.

### Geographical information

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

## 5. NET RENTAL AND HOTEL INCOME

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Gross rental revenue</b>			
Rental income			
Initial Hotels	(a)	475,000	460,000
iclub Wan Chai Hotel – Non-hotel portions		5,464	5,758
iclub Sheung Wan Hotel	(b)	27,000	26,000
iclub Fortress Hill Hotel	(c)	37,757	26,000
iclub To Kwa Wan Hotel	(d)	50,000	61,167
Other income		2,345	2,112
		<u>597,566</u>	<u>581,037</u>
Property operating expenses		<u>(3,521)</u>	<u>(3,209)</u>
<b>Net rental income</b>		<u>594,045</u>	<u>577,828</u>
<b>Gross hotel revenue</b>			
Hotel operating expenses	(f)	<u>(12,321)</u>	<u>(11,419)</u>
<b>Net hotel income</b>		<u>6,554</u>	<u>1,088</u>
<b>Net rental and hotel income</b>		<u>600,599</u>	<u>578,916</u>
<b>Revenue from contracts with customers</b>			
Gross hotel revenue	(e)	<u>18,875</u>	<u>12,507</u>
<b>Revenue from other sources</b>			
Gross rental income		<u>597,566</u>	<u>581,037</u>

Notes:

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

	2022 HK\$'000	2021 HK\$'000
Base Rent	475,000	460,000
Variable Rent	–	–
	<u>475,000</u>	<u>460,000</u>

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

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Base Rent	<b>27,000</b>	26,000
Variable Rent	–	–
	<u><b>27,000</b></u>	<u>26,000</u>

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

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Base Rent	<b>27,000</b>	26,000
Variable Rent	<b>10,757</b>	–
	<u><b>37,757</b></u>	<u>26,000</u>

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

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Contractual cash rental income	<b>45,900</b>	65,705
Difference in accounting rental income and contractual cash rental income	<b>(4,675)</b>	(4,538)
Base Rent	<b>8,775</b>	–
Variable Rent	–	–
	<u><b>50,000</b></u>	<u>61,167</u>

(e) Gross hotel revenue is recognised over time.

(f) Included subsidies of HK\$668,000 (2021: Nil) granted by the Government of the Hong Kong Special Administrative Region under the Anti-epidemic Fund during the year. There were no unfulfilled conditions related to these grants.

## 6. REIT MANAGER FEES

	2022 HK\$'000	2021 HK\$'000
Base Fees	71,504	68,676
Variable Fees	<u>18,091</u>	<u>17,436</u>
	<u><u>89,595</u></u>	<u><u>86,112</u></u>

For the financial year 2022, the REIT Manager elected to receive its Base Fees and Variable Fees in the form of cash.

## 7. FINANCE COSTS – EXCLUDING DISTRIBUTIONS TO UNITHOLDERS

	2022 HK\$'000	2021 HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on interest-bearing bank borrowings	260,064	126,279
Amortisation of debt establishment costs	24,713	21,824
Interest expense on lease liabilities	<u>322</u>	<u>250</u>
	285,099	148,353
Others, net of compensation income	<u>(3,250)</u>	<u>3,066</u>
	<u><u>281,849</u></u>	<u><u>151,419</u></u>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2022 HK\$'000	2021 HK\$'000
Charge for the year	19,939	30,426
Overprovision in prior years	(70)	(100)
Deferred	<u>16,332</u>	<u>24,318</u>
Total tax charge for the year	<u><u>36,201</u></u>	<u><u>54,644</u></u>

## 9. EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The calculation of the basic earnings per Unit attributable to Unitholders is based on the profit for the year before distributions to Unitholders of HK\$929,896,000 (2021: HK\$577,087,000) and 3,257,431,189 Units in issue (2021: 3,257,431,189 Units). The basic earnings per Unit attributable to Unitholders for the year amounted to HK\$0.285 (2021: HK\$0.177).

The diluted earnings per Unit attributable to Unitholders is the same as the basic earnings per Unit attributable to Unitholders as there were no dilutive instruments in issue during the year (2021: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Authorised investments</b>
	<b>Hotel properties HK\$'000</b>
At 1st January, 2021	543,000
Additions	54
Surplus on revaluation	39,656
Depreciation provided during the year	<u>(7,710)</u>
At 31st December, 2021 and 1st January, 2022	<b>575,000</b>
Additions	120
Surplus on revaluation	36,815
Depreciation provided during the year	<u>(7,935)</u>
At 31st December, 2022	<b><u>604,000</u></b>

The Group's property, plant and equipment represents the value of land and building together with furniture, fixtures and equipment of iclub Wan Chai Hotel for the hotel portion. The REIT Manager has determined that the property, plant and equipment constitute a single class of asset (i.e. hotel property) based on the nature, characteristics and risks of the property. The property, plant and equipment was valued by Colliers, an independent property valuer and the principal valuer of Regal REIT, at HK\$604,000,000 as at 31st December, 2022 (2021: HK\$575,000,000). A revaluation surplus of HK\$36,815,000 (2021: HK\$39,656,000) resulting from the valuation as at 31st December, 2022 has been credited to other comprehensive income.

The carrying amount of the Group's property, plant and equipment would have been HK\$377,083,000 (2021: HK\$382,965,000) had such assets been stated in the consolidated financial statements at cost less accumulated depreciation.

## 11. INVESTMENT PROPERTIES

	<b>Authorised investments</b>		
	<b>Hotel properties HK\$'000</b>	<b>Commercial properties HK\$'000</b>	<b>Total HK\$'000</b>
At 1st January, 2021	21,644,000	185,000	21,829,000
Fair value changes	302,281	7,000	309,281
Capital expenditures for the year	10,719	–	10,719
At 31st December, 2021 and 1st January, 2022	<b>21,957,000</b>	<b>192,000</b>	<b>22,149,000</b>
Fair value changes	<b>750,688</b>	<b>4,000</b>	<b>754,688</b>
Capital expenditures for the year	<b>44,999</b>	–	<b>44,999</b>
Others	<b>313</b>	–	<b>313</b>
At 31st December, 2022	<b><u>22,753,000</u></b>	<b><u>196,000</u></b>	<b><u>22,949,000</u></b>

The Group's investment properties were valued by Colliers at HK\$22,949,000,000 as at 31st December, 2022 (2021: HK\$22,149,000,000).

## 12. ACCOUNTS RECEIVABLE

	<b>2022 HK\$'000</b>	<b>2021 HK\$'000</b>
Difference in accounting rental income and contractual cash rental income	–	4,675
Other accounts receivable	<b>884</b>	244
	<b><u>884</u></b>	<b><u>4,919</u></b>

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

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

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

**13. ACCOUNTS PAYABLE**

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Amounts due to related companies	<b>69,780</b>	31,811
Other accounts payable	<b>248</b>	294
	<b><u>70,028</u></b>	<u>32,105</u>

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

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

**14. INTEREST-BEARING BANK BORROWINGS**

Included in the amount were two long term loans with an aggregate principal amount of HK\$3,305,000,000 which have maturity dates beyond 2023 but were classified as current liabilities as at the end of the reporting period. As detailed in note 2 above, the Relevant Loans were deemed to have been in breach or in breach of a loan covenant related to the ICR as at 31st December, 2022. Subsequent to the year end date, 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. As of the date of approval of these financial statements, having obtained the waivers from the bank lenders, there are no longer any deemed breach or breach of the ICR related loan covenants under the Relevant Loans as at 31st December, 2022.

**15. NUMBER OF UNITS IN ISSUE**

	<b>Number of Units</b>	
	<b>2022</b>	2021
At beginning and end of the year	<b><u>3,257,431,189</u></b>	<u>3,257,431,189</u>

**16. 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, 2022 of HK\$12,807,864,000 (2021: HK\$12,146,911,000) by the number of Units in issue of 3,257,431,189 (2021: 3,257,431,189) as at that date.

## 17. DEFERRED TAX

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

	<b>Fair value adjustments arising from revaluation of property, plant and equipment HK\$'000</b>	<b>Depreciation allowances in excess of related depreciation HK\$'000</b>	<b>Losses available for offsetting against future taxable profits HK\$'000</b>	<b>Total HK\$'000</b>
Gross deferred tax assets/(liabilities) at 1st January, 2021	(25,395)	(626,168)	8,519	(643,044)
Deferred tax charged to other comprehensive income during the year	(6,543)	–	–	(6,543)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	<u>252</u>	<u>(24,060)</u>	<u>(510)</u>	<u>(24,318)</u>
Gross deferred tax assets/(liabilities) at 31st December, 2021	<u>(31,686)</u>	<u>(650,228)</u>	<u>8,009</u>	<u>(673,905)</u>
Gross deferred tax assets/(liabilities) at 1st January, 2022	<b>(31,686)</b>	<b>(650,228)</b>	<b>8,009</b>	<b>(673,905)</b>
Deferred tax charged to other comprehensive income during the year	<b>(6,074)</b>	–	–	<b>(6,074)</b>
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	<u><b>319</b></u>	<u><b>(20,134)</b></u>	<u><b>3,483</b></u>	<u><b>(16,332)</b></u>
Gross deferred tax assets/(liabilities) at 31st December, 2022	<u><b>(37,441)</b></u>	<u><b>(670,362)</b></u>	<u><b>11,492</b></u>	<u><b>(696,311)</b></u>

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

## **EMPLOYEES**

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

## **NEW UNITS ISSUED**

There were no new Units allotted and issued during the year.

## **BUY-BACK, SALE OR REDEMPTION OF UNITS**

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

## **CORPORATE GOVERNANCE**

The REIT Manager has adopted a compliance manual (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 the relevant regulations and legislation are adhered to.

During the year ended 31st December, 2022, Regal REIT and the REIT Manager have complied with the provisions of the Compliance Manual and, where applicable, the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **PUBLIC FLOAT**

As at 31st December, 2022, 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 issued Units were held by independent public Unitholders.

## **SCOPE OF WORK OF THE AUDITORS OF REGAL REIT IN RESPECT OF THIS PRELIMINARY RESULTS ANNOUNCEMENT**

The figures in respect of Regal REIT’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, distribution statement and the related notes thereto for the year ended 31st December, 2022 as set out in this preliminary results announcement have been agreed by the auditors of Regal REIT to the amounts set out in Regal REIT’s draft consolidated financial statements for the year. The work performed by the auditors of Regal REIT in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the auditors of Regal REIT on this preliminary results announcement.

## **REVIEW OF RESULTS**

The Disclosure Committee and the Audit Committee of the REIT Manager have reviewed Regal REIT's draft consolidated financial statements for the year ended 31st December, 2022, including the accounting principles and practices adopted by Regal REIT, in conjunction with the auditors of Regal REIT.

## **ISSUANCE OF ANNUAL REPORT**

The Annual Report of Regal REIT for the year ended 31st December, 2022 is expected to be despatched to Unitholders on or about 18th April, 2023.

## **ANNUAL GENERAL MEETING**

An Annual General Meeting of Regal REIT will be convened on Thursday, 18th May, 2023. The Notice of the Annual General Meeting will be published and sent to Unitholders, together with the 2022 Annual Report of Regal REIT, in due course.

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

Hong Kong, 27th March, 2023

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