



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



2024

ANNUAL REPORT



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CORPORATE INFORMATION

MANAGER OF REGAL REIT

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

BOARD OF DIRECTORS OF THE REIT MANAGER

Non-executive Directors

Lo Yuk Sui (Chairman)
Lo Po Man (Vice Chairman)
Jimmy Lo Chun To
Kenneth Ng Kwai Kai

Executive Directors

Johnny Chen Sing Hung
Simon Lam Man Lim

Independent Non-executive Directors

John William Crawford, JP
Bowen Joseph Leung Po Wing, GBS, JP
Kai Ole Ringenson
Abraham Shek Lai Him, GBS, JP

AUDIT COMMITTEE OF THE REIT MANAGER

John William Crawford, JP (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Kai Ole Ringenson
Abraham Shek Lai Him, GBS, JP
Kenneth Ng Kwai Kai

DISCLOSURE COMMITTEE OF THE REIT MANAGER

John William Crawford, JP (Chairman)
Johnny Chen Sing Hung
Simon Lam Man Lim
Kenneth Ng Kwai Kai
Kai Ole Ringenson

NOMINATION COMMITTEE OF THE REIT MANAGER

Lo Yuk Sui (Chairman)
John William Crawford, JP
Bowen Joseph Leung Po Wing, GBS, JP
Kai Ole Ringenson
Abraham Shek Lai Him, GBS, JP
Kenneth Ng Kwai Kai

RESPONSIBLE OFFICERS OF THE REIT MANAGER

Johnny Chen Sing Hung
Simon Lam Man Lim
Peony Choi Ka Ka

SECRETARY OF THE REIT MANAGER

Peony Choi Ka Ka

TRUSTEE OF REGAL REIT

DB Trustees (Hong Kong) Limited (the "Trustee")

AUDITOR

Ernst & Young
Registered Public Interest Entity Auditor

PRINCIPAL VALUER

Knight Frank Petty 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 am presenting herewith, on behalf of the Board of Directors of Regal Portfolio Management Limited as the REIT Manager, the 2024 Annual Report of Regal Real Estate Investment Trust.

FINANCIAL RESULTS

For the year ended 31st December, 2024, Regal REIT recorded a consolidated loss before distributions to Unitholders of HK\$204.4 million, as compared to a profit of HK\$265.7 million attained in 2023. The loss incurred for the year under review included a fair value loss of HK\$128.8 million arising from the decrease in the appraised value of Regal REIT's investment property portfolio as at 31st December, 2024, as compared with its appraised value as at the preceding financial year end. While for the comparative financial year in 2023, there was a fair value gain of HK\$366.9 million in Regal REIT's investment portfolio. If the effects of these fair value changes are excluded, Regal REIT would record a core operating loss of HK\$75.6 million for 2024, improving from a loss of HK\$101.2 million in the preceding year. The core operating loss was mainly attributable to the substantial financial expenses incurred, which amounted to HK\$640.4 million (2023: HK\$611.2 million), as the Hong Kong Interbank Offered Rates (HIBOR), on which the borrowing costs of Regal REIT's bank loans are based, continued to linger at a relatively high level throughout the year.

After adjusting for the various non-cash items, Regal REIT recorded an adjusted loss of HK\$90.6 million for the year under review (2023: adjusted loss of HK\$127.6 million). Consequently, the Board of Directors of the REIT Manager has decided not to declare a final distribution for the year ended 31st December, 2024 (2023 final distribution: Nil).

HOTEL MARKET AND BUSINESS REVIEW

Global financial conditions eased slightly since mid-2024, mainly owing to the onset of monetary easing in the United States and generally robust risk appetite. Policy rates in advanced economies have started to decline but remained well above the low levels that prevailed in the 2010s. Growing debt-service burdens continued to pose considerable headwinds to overall economic activities.

Though faced with a complicated and severe environment with increasing external pressures and internal difficulties, China's economy was generally stable, with new achievements made in high-quality development. According to preliminary estimates, China's gross domestic product (GDP) in 2024 increased by 5.0% over the previous year. In Hong Kong, real GDP posted a moderate growth of 2.5% in 2024, which was at the low end of the growth forecast made by the Hong Kong Government in August 2024 and a set back from the 3.2% attained in 2023.

For the year under review, total visitor arrivals to Hong Kong amounted to about 44.5 million, representing a year-on-year increase of 30.9%, but this total number only represented about 79.6% of its pre-pandemic peak level recorded in 2019. Hence, there is still much room to catch up in this respect. While visitors from Mainland China continued to be the dominant market source, it is encouraging to see that visitors from overseas regions, both in the long haul as well as the short haul markets, have begun to show some substantial rebound in their growth percentages. Overnight visitors accounted for almost half of all visitors in 2024, with an average length of stay of 3.2 nights in Hong Kong.

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 2024 was 85.0%, an increase of 3.0 percentage points from 2023, while the industry-wide average room rate contracted by 4.3%, with the average Revenue per Available Room (RevPAR) having consequently decreased by 0.8% year-on-year.

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

Other than the iclub Wan Chai Hotel which is 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.

Despite the increase in the number of visitor arrivals, the consumption habits of the incoming visitors, particularly those from Mainland China, have changed fundamentally as compared to pre-pandemic times, shifting from shopping, dining and entertainment to cultural and in-depth experiences. This has resulted in a slower than expected recovery in tourism related revenues due to the reduced average per capita spending. Moreover, with the convenience of cross border travel and the impact of a strong Hong Kong Dollar against Renminbi, there is an increasing trend for the local population travelling north to the Greater Bay Area for spending, which has also affected the food and beverage businesses being operated in the Initial Hotels.

The operating environment of the hotel industry in Hong Kong during the year under review continued to be challenging due to keen market competitions and rising labour costs. The overall operating performance of the hotels within Regal REIT's portfolio remained relatively stable but due to the decline in the food and beverage revenues, the aggregate net operating income of the hotels within our portfolio as a whole has dropped by about 3.2% as compared with 2023.

In accordance with the terms of the 2024 market rental packages, the Initial Hotels generated aggregate base rent of HK\$544.0 million. The market rental reviews for the Initial Hotels for 2025 were completed in September 2024, with their aggregate annual base rent determined to be HK\$550.0 million, which is about 1.1% or HK\$6.0 million above the aggregate base rent for 2024. The variable rent will continue 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 three iclub Hotels that were also under lease to the RHIHL lessee (namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub To Kwa Wan Hotel) received aggregate rental receipts of HK\$118.0 million, representing their base rents fixed for 2024. Based on the market rental reviews determined by the independent valuer under the terms of their respective leases, the aggregate base rent for these three iclub Hotels for 2025 was determined to be HK\$123.0 million, which is about 4.2% or HK\$5.0 million above the aggregate base rent in 2024, with variable rent continuing to be based on 50% sharing of the excess of the NPI over the base rent of the respective hotels.

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and has been self-operated by Regal REIT under the management of the RHIHL group since 2011. Due to the competitive market conditions and the lease reversion of the non-hotel portions, the net NPI this property during the year was relatively lower than that attained in 2023.

To fulfil our corporate social responsibility in supporting Hong Kong Government's initiatives to enhancing youth understanding of national development opportunities through training, exchange, and internship programs, Regal Oriental Hotel collaborated with Yan Oi Tong to transform up to 80 of its guestrooms into a YOT Hub. This is the fifth project under the Government's Subsidy Scheme for Using Hotels & Guesthouses as Youth Hostels. The collaboration has an operating term of 3 years, which commenced in December 2024 and is early terminable by either party in specified circumstances.

Further details on the hotel properties owned by Regal REIT, including their appraised market values and their operating data in 2024, are contained in the Report of the REIT Manager in this 2024 Annual Report.

BUSINESS OUTLOOK

Based on a recent research from the World Bank Group, global growth is stabilising, as inflation returns closer to targets and monetary easing measures are supporting economic activities in both advanced economies and emerging market and developing economies. It was expected that there would be a broad-based and moderate global expansion over the two years from 2025 to 2026. The balance of risks to the outlook is still tilted to the downside, due to elevated policy uncertainties and the intensification of geopolitical and trade disputes.

The economy of Hong Kong is on a path of gradual but uneven recovery. While Hong Kong will continue to face challenges due to the increased global economic uncertainties, it is also endowed with many development opportunities as it actively aligns with the national development strategies of China. Hong Kong is committed to consolidate and enhance its status as an international financial, shipping and trade centre. At the same time, it is proceeding forward with the Northern Metropolis as its growth engines and to deepen its collaboration with the Greater Bay Area. It can be anticipated that as Hong Kong further integrates with the national development of China, it will be able to benefit from a series of supportive measures from the Central Government.

To reinforce the role of Hong Kong as an international tourism hub, the Culture, Sports and Tourism Bureau announced in December 2024 the Development Blueprint for Hong Kong's Tourism Industry 2.0 (Blueprint 2.0), setting forth strategies primarily to enrich and develop Hong Kong's tourism products and initiatives with local and international characteristics as well as to enhance the service quality and support of its tourism industry on all fronts. In addition, major infrastructure projects, such as the Kai Tak Sports Park and the Three-runway System (3RS) at the Hong Kong International Airport, have also been completed in 2024 to support the launch of the Blueprint 2.0. The completion of the 3RS signifies a significant advancement in the development of Hong Kong as an aviation hub, which aims to handle 120 million passengers and 10 million tons of cargo annually by 2035.

The United States Federal Reserve began its interest rate cuts in September 2024, the first time in four years. Together with the two subsequent interest rate reductions in November and December, there were rate reductions in the US in an aggregate of 100 basis points since September 2024. However, the effect of the US interest rate reductions on HIBOR has been less apparent, with the HIBOR continuing to stay at a relatively high level. Although Regal REIT has entered into several interest rate swap transactions in 2024, with swap rates fixed at levels lower than the prevailing HIBOR, they only cover a minority portion of the total loan outstanding of Regal REIT. Therefore, a prolonged period of high interest rates will inevitably impact on the distributable income of Regal REIT.

Stepping into 2025, the local tourist market continued to show signs of recovery. During the Lunar New Year golden week, Hong Kong received about 1.3 million visitors. For the whole month of January 2025, there was a total of about 4.7 million visitors, with around 3.7 million coming over from the Mainland, marking annual increases of 24.0% and 25.0%, respectively. These are both new record highs since the pandemic times. Hong Kong has always been a vibrant and resilient city. Through its own committed initiatives and the strong support from the Central Government, it is expected that the tourism industry in Hong Kong will be able to achieve a prosperous and sustainable development.

As one of the major hotel owners in Hong Kong, the Directors of the REIT Manager are optimistic that Regal REIT will be able to benefit from the anticipated revival of the local tourist and hotel businesses and that its operating results would gradually improve in the coming years.

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

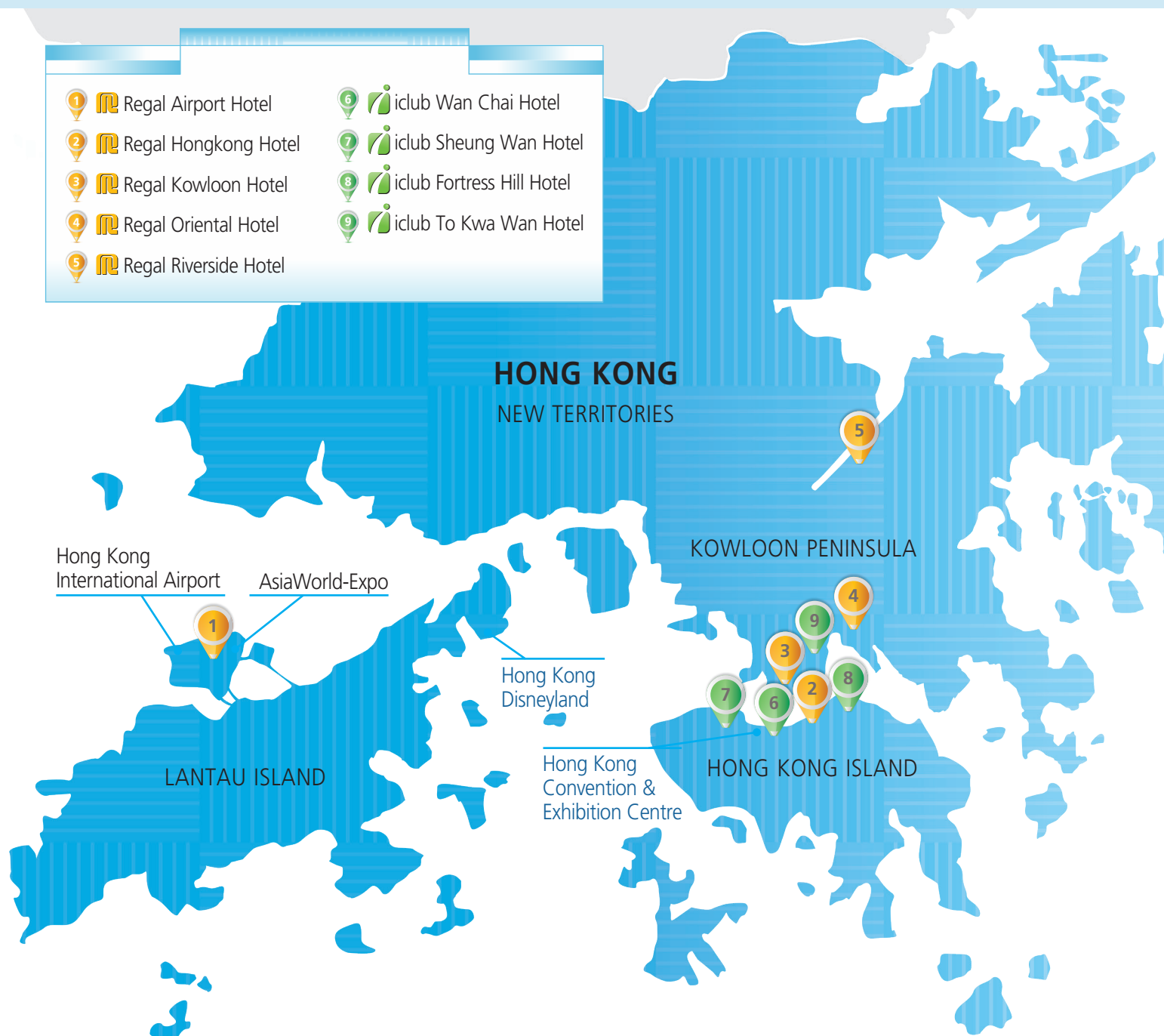
Regal Portfolio Management Limited

(as the REIT Manager of Regal REIT)

Hong Kong, 28th March, 2025

PROPERTY PORTFOLIO

Location of the Hotel Properties in Hong Kong



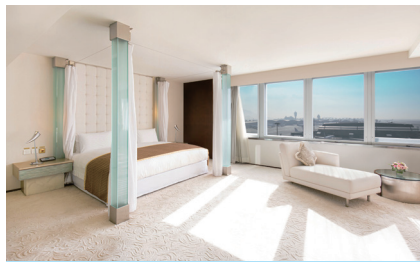
Key to Hotel Facility Icons

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



Indoor Swimming Pool



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

- 🏆 Crescent Rating of 3 by CrescentRating (2024-2025)
- 🏆 Travel Excellence Awards by TripZilla – Business Star Awards (2024)
- 🏆 Platinum Benchmarking Certification by EarthCheck (2024)
- 🏆 MASTERCHEF Recommendation Restaurant – Rouge (2020-2024)
- 🏆 Recommended on Restaurant GURU – Rouge (2023)
- 🏆 Best Airport Hotel Asia Pacific by Travel Weekly Asia (2017-2019 and 2023)
- 🏆 Travel Hall of Fame Award by TTG Asia Media Pte Ltd (2015-2018 and 2023-2024)
- 🏆 World's Best Airport Hotel by Business Traveller UK Magazine (2008-2019 and 2023)
- 🏆 Best Airport Hotel in Asia-Pacific by Business Traveller Asia-Pacific Magazine for 17 consecutive years (2001-2017)

🍴 1,171	🛏 1,050 sq. m.
👤 1999	🛏 27
📏 83,400 sq. m.	📧 1
📏 71,988 sq. m.	🚗 2
🍴 4	🌸 1
🍷 1	🍷 1

REGAL HONGKONG HOTEL



Café Rivoli














Deluxe Room



Regal Ballroom

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 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)
- 🏆 Crescent Rating of 3 by CrescentRating (2024-2025)
- 🏆 Strategic Partnership Excellence by Trip.com Group (2024)
- 🏆 Bespoke Bridal Award – Bespoke Choice Wedding Venue (2023-2024)
- 🏆 Caring Company 10 Years+ Award by The Hong Kong Council of Social Service (2018-2024)
- 🏆 Platinum Benchmarking Certificate by EarthCheck (2024)
- 🏆 MASTERCHEF Recommendation Restaurant – Regal Palace (2020-2024)
- 🏆 Travellers' Choice Award by TripAdvisor (2020-2023)
- 🏆 QTS Quality Merchant (15 Consecutive Years) by Hong Kong Tourism Board – Regal Palace (2023)
- 🏆 Top Producing Hotel by Trip.com Group (2022)
- 🏆 Trusted Cleanliness Badge by TrustYou (2020-2022)

REGAL KOWLOON HOTEL



Versailles Ballroom



Café Allegro



Premier Room

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

- 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.

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

- 🏆 HACCP Certification by SGS Hong Kong (2022-2025)
- 🏆 Crescent Rating of 3 by CrescentRating (2024-2025)
- 🏆 Travel Excellence Awards by TripZilla – Business Star Award (2024)
- 🏆 Restaurant GURU – Certificate of Excellence – Mezzo (2023) & Café Allegro (2023)
- 🏆 Bespoke Bridal Award – Bespoke Choice Wedding Venue (2023)
- 🏆 QTS Quality Merchant (15 Consecutive Years) by Hong Kong Tourism Board – Mezzo (2023)
- 🏆 Caring Company Award by The Hong Kong Council of Social Service (2018-2024)
- 🏆 Platinum Benchmarking Certificate by EarthCheck (2024)
- 🏆 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 (2022-2024) & Mezzo (2022-2024)
- 🏆 Loved by Guests Award by Hotels.com (2020)

REGAL ORIENTAL HOTEL



Presidential Suite











The China Coast Pub + Restaurant



Gym

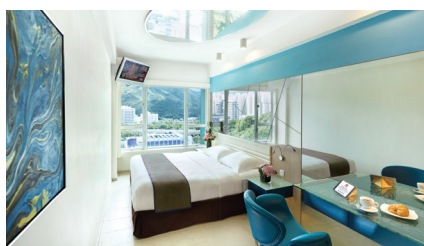
30-38 Sa Po Road, Kowloon City,
Kowloon, Hong Kong.
Tel: (852) 2718 0333
Fax: (852) 2718 4111
Email: info@oriental.regalhotel.com
Website: oriental.regalhotel.com

- 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 and Kai Tak Sports Park
- 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

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

- 🏆 Certificate of Appreciation in Earth Hour from WWF (2024)
- 🏆 Platinum Benchmarking Certificate by EarthCheck (2024)
- 🏆 Halal Certificate by The Incorporated Trustees of The Islamic Community Fund of Hong Kong (2013-2022)
- 🏆 Trusted Cleanliness by TrustYou (2021)
- 🏆 Indoor Air Quality Certificate – Excellent Class by Environmental Protection Department (2014-2019)

REGAL RIVERSIDE HOTEL



Premier Room



Regal Terrace



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

- 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 350 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

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

- 🏆 Crescent Rating of 3 by CrescentRating (2024)
- 🏆 Certificate of Appreciation in Earth Hour from WWF (2024)
- 🏆 Halal Certificate by The Incorporated Trustees of The Islamic Community Fund of Hong Kong (2024)
- 🏆 Certificate of Appreciation in signing the Carbon Neutrality (Waste Reduction) Charter from Environmental Protection Department (2024)
- 🏆 Platinum Benchmarking Certificate by EarthCheck (2024)
- 🏆 ISO22000: 2018 Accreditation on Food Safety Management System by SGS Hong Kong (2024)
- 🏆 QTS Quality Merchant by Hong Kong Tourism Board – Avanti Pizzeria, Dragon Inn, L'Eau, Regal Terrace and Vi (2024)
- 🏆 QTS Quality Merchant (15 Consecutive Years) by Hong Kong Tourism Board - Regal Court (2024)
- 🏆 Gold Circle Award by Agoda (2024)
- 🏆 Popular Family-Friendly Hotel of the Year by Meituan Hotel (2024)
- 🏆 MASTERCHEF Recommendation Restaurant – Regal Terrace (2023-2024)
- 🏆 MASTERCHEF Recommendation Restaurant – Dragon Inn (2020-2024)
- 🏆 MASTERCHEF Recommendation Restaurant – Vi (2021-2024)
- 🏆 Popular Hotel of the Year by Meituan Hotel (2022-2023)
- 🏆 U Favourite Food Awards – My Favourite Buffet Restaurant – L'Eau (2023)
- 🏆 Outstanding QTS Merchant Silver Award by Hong Kong Tourism Board – L'Eau (2022)
- 🏆 MameAwards – Mame's Best Choice of Postpartum Hotel (2021)

iclub WAN CHAI HOTEL



iSelect Premier



iResidence 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 at 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 at iEngage
- 24-hour complimentary use of fitness facilities at Sweat Zone
- A completely smoke-free hotel

🏆 Emerging Star Award by Trip.com Group (2024)

🏆 Gold Benchmarking Certificate by EarthCheck (2023-2024)

🏆 Gold Circle Award by Agoda (2023)

iclub SHEUNG WAN HOTEL



iSuite



iPlus



Sweat Zone

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 5-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 at iLounge
- 24-hour self-service laundry and drying facilities
- 24-hour complimentary use of computers at iEngage
- 24-hour complimentary use of fitness facilities at Sweat Zone
- A completely smoke-free hotel

🏆 Emerging Star Award by Trip.com Group (2024)

🏆 Gold Benchmarking Certificate by EarthCheck (2023-2024)

🏆 Gold Circle Award by Agoda (2023-2024)

🏆 Popular Hotel of the Year by Meituan Hotel (2023)

iclub FORTRESS HILL HOTEL



iPlus



Hotel Lobby



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

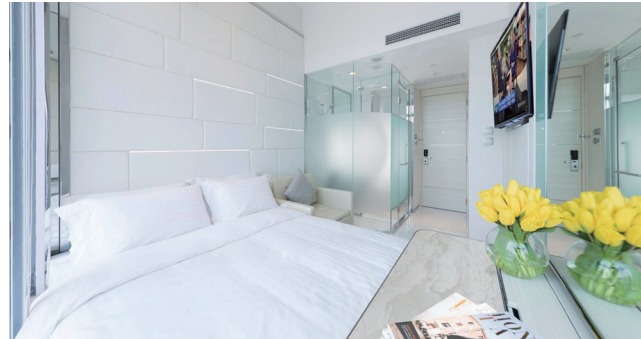
- A contemporary select-service hotel with 338 chic and trendy guestrooms
- Convenient location within walking distance to Fortress Hill or Tin Hau MTR stations
- 2 MTR stations away from the Hong Kong Convention & Exhibition Centre and commercial hub in Eastern District (Tai Koo Place)
- Easy access 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 at iLounge
- 24-hour self-service laundry and drying facilities
- 24-hour complimentary use of computers at iEngage
- 24-hour complimentary use of fitness facilities at Sweat Zone
- A completely smoke-free hotel

- 🏆 Top Production Hotel by Trip.com Group (2024)
- 🏆 Gold Benchmarking Certificate by EarthCheck (2023-2024)
- 🏆 Popular Hotel of The Year by Meituan Hotel (2023)
- 🏆 Best Performance by Trip.com Group (2023)
- 🏆 Best Partner Award by XY Travel (2023)

iclub TO KWA WAN HOTEL



iPlus



iBusiness Premier



iLounge

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 3 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 at iEngage
- 24-hour complimentary use of fitness facilities at Sweat Zone
- A completely smoke-free hotel

🏆 Silver Benchmarking Certificate by EarthCheck (2022-2024)

🏆 Outstanding Partner Award by Meituan Hotel (2023)

🏆 Best Partner Award by XY Travel (2023)

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, 2024.

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, 2024, 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 the Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel) under the relevant lease agreements and supplemental lease agreements (together, the “Initial Hotels Lease Agreements”). The market rental packages for each of the Initial Hotels will be determined annually by a jointly appointed independent professional property valuer.

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

The iclub Sheung Wan Hotel is leased to the RHIHL Lessee with the lease term expired 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 original expiry date (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 continues 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 expired 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 original expiry date (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 continues to be determined annually by a jointly appointed independent professional property valuer. Such extended terms for the FH Lease Agreement and the FH Hotel Management Agreement were approved by the independent Unitholders at the extraordinary general meeting of Regal REIT held on 31st January, 2024.

The iclub To Kwa Wan Hotel is leased to the RHIHL Lessee with the lease term expiring on 31st December, 2027 under a lease agreement (the “TKW Lease Agreement”). The Hotel Manager was appointed as the hotel manager of the iclub To Kwa Wan Hotel under a 10-year hotel management agreement (the “TKW Hotel Management Agreement”) commencing on 4th September, 2017.

HOTEL PORTFOLIO

The portfolio of nine hotel properties of Regal REIT are strategically located in different districts in Hong Kong, enabling hotel guests to have easy and convenient access to the mass transit network and other public transportation networks. The Regal REIT's hotel portfolio is comprised of two hotel types, namely, full-service hotels, which offer a wide range of services including food and beverage outlets and other facilities, and select-service hotels, which offer contemporary design and are equipped with tech-savvy facilities.

Hotel Types	District Location	No. of Rooms	Operations Mode
<i>Full-service hotels:</i>			
Regal Airport Hotel	Chek Lap Kok	1,171	Under Lease
Regal Hongkong Hotel	Causeway Bay	481	Under Lease
Regal Kowloon Hotel	Tsim Sha Tsui	600	Under Lease
Regal Oriental Hotel	Kowloon City	494	Under Lease
Regal Riverside Hotel	Shatin	1,147	Under Lease
		<hr/> 3,893	
<i>Select-service hotels:</i>			
iclub Wan Chai Hotel	Wan Chai	99	Self-operated
iclub Sheung Wan Hotel	Sheung Wan	248	Under Lease
iclub Fortress Hill Hotel	Fortress Hill	338	Under Lease
iclub To Kwa Wan Hotel	To Kwa Wan	340	Under Lease
		<hr/> 1,025	
Total		<hr/> 4,918	

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 2024

According to the IH Market Rental Package for 2024, the aggregate Base Rent for the Initial Hotels was determined at HK\$544.0 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\$136.0 million, which is equivalent to three months’ Base Rent.

IH Market Rental Package for 2025

An independent professional property valuer, Mr. Alnwick Chan, was jointly appointed by the lessors and the RHIHL Lessee in June 2024 to conduct rent reviews for the Initial Hotels for 2025. According to the determination of the IH Market Rental Package for 2025, the aggregate amount payable by the RHIHL Lessee as Base Rent was determined to be HK\$550.0 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 2025. 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, 2025, for an aggregate amount of HK\$137.5 million, which is equivalent to three months’ aggregate Base Rent of the Initial Hotels for 2025, issued by a licensed bank in Hong Kong. Details of the IH Market Rental Package for 2025 can be referred to in an announcement published by the REIT Manager on 25th September, 2024.

iclub Wan Chai Hotel – Revenue Structure

Hotel Portion

The hotel portion of iclub Wan Chai Hotel, which is under an owner-operate mode, is managed by the Hotel Manager under the Wan Chai Hotel Management Agreement. Gross hotel revenue and the associated operating costs and expenses are accounted for directly by Regal REIT.

Non-hotel Portions

iclub Wan Chai Hotel – non-hotel portions, comprised of a portion of the ground floor and the 27th to 29th floors of the premises, are let out 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 2024

According to the determination of the SW Market Rental Package for 2024, the Base Rent payable by the RHIHL Lessee was 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 has provided a third party guarantee as a security deposit for an amount of HK\$10.6 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Sheung Wan Hotel for 2024.

SW Market Rental Package for 2025

The same independent professional property valuer, Mr. Alnwick Chan, was jointly appointed in June 2024 to determine the SW Market Rental Package for 2025. According to the determination of the SW Market Rental Package for 2025, the Base Rent to be payable by the RHIHL Lessee is HK\$44.0 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, 2025, for an amount of HK\$11.1 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Sheung Wan Hotel for 2025. Details of the SW Market Rental Package for 2025 can be referred to in an announcement published by the REIT Manager on 25th September, 2024.

iclub Fortress Hill Hotel – Rental Structure and Market Rental Package

Pursuant to the FH Lease Agreement and its supplemental deed, the RHIHL Lessee is obligated to pay rentals in respect of the iclub Fortress Hill Hotel to Regal REIT for the period from 28th July, 2014 to 31st December, 2034, with fixed rentals for the first three years of the lease term.

After the lapse of the three initial lease years, market rental reviews by a jointly appointed independent professional property valuer take place annually for each of the remaining periods of the lease term to determine the market rental components (comprising the Base Rent, Variable Rent and lessee's contribution to the FF&E reserve) together with the amount of the security deposit required (collectively, the "FH Market Rental Package").

FH Market Rental Package for 2024

According to the determination of the FH Market Rental Package for 2024, the Base Rent payable by the RHIHL Lessee was HK\$40.0 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\$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.

FH Market Rental Package for 2025

Concurrent with the appointment as independent professional property valuer for the SW Market Rental Package 2025, Mr. Alnwick Chan was also appointed in June 2024 to determine the FH Market Rental Package for 2025. According to the determination of the FH Market Rental Package for 2025, 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, 2025, for an amount of HK\$10.8 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Fortress Hill Hotel for 2025. Details of the FH Market Rental Package for 2025 can be referred to in an announcement published by the REIT Manager on 25th September, 2024.

iclub To Kwa Wan Hotel – Rental Structure

Pursuant to the TKW Lease Agreement and its supplemental deed, the RHIHL Lessee is obligated to pay rentals in respect of the iclub To Kwa Wan Hotel to Regal REIT for the period from 4th September, 2017 to 31st December, 2027, with fixed rentals for the first five years of the lease term.

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

According to the determination of the TKW Market Rental Package for 2024, the Base Rent payable by the RHIHL Lessee was 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 has provided a third party guarantee as a security deposit for an amount of HK\$9.3 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub To Kwa Wan Hotel for 2024.

TKW Market Rental Package for 2025

The same independent professional property valuer, Mr. Alnwick Chan, was jointly appointed in June 2024 to determine the TKW Market Rental Package for 2025. According to the determination of the TKW Market Rental Package for 2025, the Base Rent to be payable by the RHIHL Lessee is HK\$37.0 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, 2025, for an amount of HK\$9.25 million, which is equivalent to three months' Base Rent of the iclub To Kwa Wan Hotel for 2025. Details of the TKW Market Rental Package for 2025 can be referred to in an announcement published by the REIT Manager on 25th September, 2024.

Furniture, Fixtures & Equipment Reserve

Regal REIT is obligated under the respective Initial Hotels Lease Agreements, the Wan Chai Hotel Management Agreement, the SW Lease Agreement and its supplemental deed, the FH Lease Agreement and its supplemental deed and the TKW Lease Agreement and its supplemental deed to maintain a reserve to fund expenditures for replacements of FF&E in the respective hotels during the 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\$27.6 million was contributed to the FF&E reserve with corresponding expenditures of HK\$47.8 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, 2024 are set out in the consolidated financial statements.

Review of the Economic Environment in 2024

Based on recent research issued by the World Bank group, the global economic context has become modestly more favourable since last June, following several years characterized by overlapping negative shocks. Inflation appears to be moderating without a substantial slowdown in key economies, and monetary policy easing has now become widespread. In all, the post-pandemic global economic expansion is forecast to remain on a steady path. However, the global economy appears to be settling at a relatively low level of growth—one insufficient to foster sustained economic development and catchup in per capita incomes—with the possibility of further headwinds from heightened policy uncertainty, growing trade fragmentation, slower-than-anticipated progress in reducing inflation, and weaker activity in major economies¹.

In face of the complicated and severe environment with increasing external pressures and internal difficulties, the gross domestic product (GDP) for China in 2024 increased by 5.0% over the previous year at constant prices. China's economy was generally stable with steady progress and new achievements were made in high-quality development².

For 2024 as a whole, Hong Kong's GDP increased by 2.5%³ in real terms over 2023, following a growth of 3.2% in 2023. Total exports of goods resumed growth amid improved external demand. Exports of services continued to increase, driven by further growth of visitor arrivals and improvement in other cross-border economic activities. Overall investment expenditure showed a further increase as the economy continued to expand. However, private consumption expenditure recorded a slight decline, affected by the change in residents' consumption patterns⁴.

According to the labour force statistics by the Census and Statistics Department, the seasonally adjusted unemployment rate of Hong Kong stood at 3.1% in October - December 2024, same as that in September - November 2024. The underemployment rate also remained unchanged at 1.1% in the two periods. The unemployment rates of many sectors declined in October - December 2024 compared with the preceding three-month period, with more notable decreases recorded in the financing sector; the social work activities sector; and the arts, entertainment and recreation sector⁵.

¹ Source: Publications, World Bank Group, "Global Economic Prospects", January 2025.

² Source: Press Release, National Bureau of Statistics of China, "National Economy Witnessed Steady Progress amidst Stability with Major Development Targets Achieved Successfully in 2024", 17th January, 2025.

³ Source: Budget Speech, The 2025-26 Budget, "Economic Situation in 2024", 26th February, 2025.

⁴ Source: Press Release, Census & Statistics Department, "Advance estimates on Gross Domestic Product for fourth quarter and whole year of 2024", 3rd February 2025.

⁵ Source: Press Release, Census and Statistics Department, "Unemployment and underemployment statistics for October – December 2024", 20th January, 2025.

Visitor Arrivals in Hong Kong, 2024 versus 2023⁶

Visitors to Hong Kong by Geographical Regions	2024 (Percentage of total visitors)	2024 (No. of visitors)	2023 (No. of visitors)	Variance (No. of visitors)	Variance (%)
Mainland China	76.50%	34,043,127	26,755,563	7,287,564	27.2%
South & Southeast Asia	7.77%	3,456,708	2,398,141	1,058,567	44.1%
North Asia	3.18%	1,415,042	754,006	661,036	87.7%
Taiwan	2.80%	1,244,610	809,292	435,318	53.8%
Europe, Africa & the Middle East	3.07%	1,366,409	870,589	495,820	57.0%
The Americas	3.06%	1,361,674	914,362	447,312	48.9%
Australia, New Zealand & South Pacific	1.01%	451,475	290,912	160,563	55.2%
Macau SAR/Not identified	2.61%	1,163,742	1,206,795	(43,053)	(3.6%)
Totals	100%	44,502,787	33,999,660	10,503,127	30.9%
Overnight visitors included in above	49.3%	21,943,913	17,159,320	4,784,593	27.9%

For the year of 2024, Hong Kong's tourism market continued to recover. The number of visitor arrivals improved significantly to about 44.5 million, showing an increase of 30.9% year-on-year.

Mainland China visitors increased and recorded a growth rate of 27.2%, with arrivals aggregating approximately 34.0 million, representing 76.5% of the total visitor arrivals to Hong Kong in 2024.

Arrivals from short-haul markets comprising other Asian regions (including North Asia, South & Southeast Asia, Taiwan and Macau) were reported as 7.3 million and accounted for 16.4% of total arrivals, representing a growth rate of 40.9% as compared to 2023.

For the long-haul markets, a growth rate of 53.2% was recorded, with total arrivals of approximately 3.2 million. Visitors from the Americas also displayed an increase with a growth rate of 48.9% and represented 3.1% of the total number of visitors. Overall, visitor arrivals from the European, Africa and the Middle East markets recorded a growth rate of 57.0%; with the visitor number reaching 1.4 million and accounting for 3.1% 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 21.9 million, representing 49.3% of total arrivals and showing an increase of 27.9% year-on-year.

⁶ Source: Research, Hong Kong Tourism Board, "Visitor Arrival Statistics – Dec 2024", January 2025; "Visitor Arrival Statistics – Dec 2023", January 2024; the REIT Manager.

Review of Hotel Room Supply in Hong Kong in 2024 and Forecast for 2025

In 2024, the hotel room supply in Hong Kong reported growth of 3.1% over 2023. This represented an annual increase of 2,813 units from 90,109 to 92,922 rooms. During the year under review, 9 new hotel properties were opened and the number rose from 321 to 330, posting year-on-year growth of 2.8%. A continuing increase in the new room supply by 170 units in 2025 with 1 new hotel is anticipated. By the end of 2025, it is projected that the hotel room supply will reach 93,092 with an increase of about 0.2% over the preceding year⁷.

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 (2024 versus 2023) ⁸					
	Room Occupancy Rates		Average Room Rates		RevPAR	
	2024	2023	2024	2023	2024	2023
	%	%	HK\$	HK\$	HK\$	HK\$
High Tariff A	79	76	2,238	2,347	1,768	1,784
High Tariff B	86	84	1,052	1,098	905	922
Medium Tariff	89	84	705	730	627	613
All Hotels	85	82	1,332	1,392	1,132	1,141

In 2024, the overall hotel occupancy rate was recorded as 85.0% and was up by 3.0 percentage points when compared to 2023. The industry-wide average room rate recorded a decrease of 4.3% year-on-year to HK\$1,332 per night. The resulting effect led to a drop of 0.8% on the industry-wide RevPAR or a decrease of HK\$9.0 year-on-year to HK\$1,132.

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.

During the year under review, despite the increase in the number of visitor arrivals, the consumption habits of the incoming visitors, particularly those from Mainland China, have changed fundamentally as compared to pre-pandemic times, shifting from shopping, eating and entertainment to cultural and in-depth experiences. This has resulted in a slower than expected recovery in tourism related revenues. Moreover, with the convenience of cross border travel and the impact of a strong Hong Kong Dollar against Renminbi, there is an increasing trend for the local population travelling north to the Greater Bay Area for spending, which has also impacted the food and beverage businesses being operated in the Initial Hotels.

⁷ Source: Research, Hong Kong Tourism Board, “Hotel Supply Situation – as at Dec 2024”, March 2025; the REIT Manager.

⁸ Source: Research, Hong Kong Tourism Board, “Hotel Room Occupancy Report – Dec 2024”, January 2025; the REIT Manager.

The operating environment of the hotel industry in Hong Kong during the year under review continued to be challenging due to keen market competitions and rising labour costs. The overall operating performance of the hotels within Regal REIT's portfolio remained relatively stable but due to the decline in the food and beverage revenues, the aggregate net operating income of the hotels within our portfolio as a whole has dropped by about 3.2% as compared with 2023. As a result, the five Initial Hotels achieved an aggregate net property income which was 2.3% lower than the previous year despite slight improvements in their room revenues and operating expenses. Likewise, the 2024 operating results of the other four iclub Hotels were slightly lower than those in 2023.

Further details on the Individual hotel performance data and statistics for 2024 are further elaborated on the following sections and in the valuation report section of the respective hotel property in pages 136 to 201.

Performance of the Initial Hotels

Total hotel revenue, gross operating profit ("GOP"), NPI and statistics for the combined Initial Hotels for FY2024 versus FY2023 are set out below.

	FY2024 HK\$'million	FY2023 HK\$'million	Variance HK\$'million	Variance %
Operating Results				
Room revenue	879.6	862.0	17.6	2.0%
Food and beverage revenue	265.8	305.2	(39.4)	(12.9%)
Other income	19.2	18.1	1.1	6.1%
Total hotel revenue	1,164.6	1,185.3	(20.7)	(1.7%)
Operating expenses	(782.0)	(795.1)	13.1	1.6%
Gross operating profit	382.6	390.2	(7.6)	(1.9%)
Other expenses	(41.6)	(44.6)	3.0	6.7%
Net rental income	33.0	37.2	(4.2)	(11.3%)
Net property income	374.0	382.8	(8.8)	(2.3%)
Statistics				
Average room rate	HK\$869.01	HK\$874.20	(HK\$5.19)	(0.6%)
Occupancy rate	71.0%	69.4%	1.6%	2.3%
RevPAR	HK\$617.31	HK\$606.61	HK\$10.70	1.8%
Total available room nights	1,424,838	1,420,945	3,893	0.3%
Occupied room nights	1,012,146	986,001	26,145	2.7%

During the year under review, total hotel revenue of the Initial Hotels recorded a combined result of HK\$1,164.6 million (2023 - HK\$1,185.3 million), representing an decrease of HK\$20.7 million or 1.7% year-on-year. GOP and NPI were HK\$382.6 million and HK\$374.0 million, respectively, reflecting satisfactory results upon resumption of normal hotel operations.

The combined average occupancy rate of the Initial Hotels in 2024 was 71.0%, as compared to 69.4% in the prior year. Their combined average room rate remained steady and their combined average RevPAR has risen by 1.8% to HK\$617.31 year-on-year.

Base Rent

According to the IH Market Rental Package for 2024, 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\$544.0 million, representing a monthly Base Rent of HK\$45.3 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\$374.0 million, which was below the aggregate Base Rent of HK\$544.0 million. Therefore, no Variable Rent was earned for the year.

Performance of iclub Wan Chai Hotel

The year-round average occupancy rate of the hotel portion of the iclub Wan Chai Hotel was 95.3% in 2024, as compared to 94.3% in 2023. Its average room rate of HK\$848.90 (2023 - HK\$902.96) has decreased by 6.0%, resulting in a year-on-year contraction of 4.9% in its average RevPAR to HK\$809.02 in 2024. 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 were leased to third-party tenants.

Hotel portion

For the year ended 31st December, 2024, the hotel portion contributed gross hotel revenue of HK\$29.9 million and incurred operating costs and expenses of HK\$15.3 million.

Non-hotel portions

For the year ended 31st December, 2024, net rental income of HK\$5.0 million was generated from the leasing of the non-hotel portions.

Performance of iclub Sheung Wan Hotel

For 2024, the iclub Sheung Wan Hotel achieved an overall average occupancy rate of 85.9%, as compared to 90.5% in 2023. Though its average room rate of HK\$862.86 (2023 - HK\$823.49) has increased by 4.8%, its average RevPAR has contracted by 0.6% year-on-year.

Base Rent

According to the SW Market Rental Package for 2024, Regal REIT received Base Rent in the form of cash on a monthly basis. During the year, Regal REIT received the Base Rent of HK\$42.0 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 its hotel operations was HK\$38.2 million, which fell short of the Base Rent of HK\$42.0 million, no Variable Rent was earned.

Performance of iclub Fortress Hill Hotel

For 2024, the iclub Fortress Hill Hotel achieved an overall average occupancy rate of 87.6%, as compared to 84.7% in 2023. As its average room rate of HK\$574.38 (2023 - HK\$609.55) has decreased by 5.8%, its average RevPAR was down by 2.5% year-on-year.

Base Rent

According to the FH Market Rental Package for 2024, Regal REIT received Base Rent in the form of cash on a monthly basis. During the year, Regal REIT received the Base Rent of HK\$40.0 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 its hotel operations was HK\$32.5 million, which fell short of the Base Rent of HK\$40.0 million, no Variable Rent was earned.

Performance of iclub To Kwa Wan Hotel

For 2024, the iclub To Kwa Wan Hotel achieved an overall average occupancy rate of 79.4%, as compared to 80.8% in 2023. As its average room rate of HK\$572.41 (2023 - HK\$579.32) has decreased by 1.2%, its average RevPAR has contracted by 2.9% year-on-year.

Base Rent

According to the TKW Market Rental Package 2024, Regal REIT received Base Rent in the form of cash on a monthly basis. During the year, Regal REIT received the Base Rent of HK\$36.0 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 its hotel operations was HK\$27.2 million, which fell short of the Base Rent of HK\$36.0 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, 2024 (as compared to the prior year) is set out below.

	2024		2023	
	HK\$'million	%	HK\$'million	%
Initial Hotels				
Base Rent	544.0	77.6	480.0	77.7
Variable Rent	—	—	—	—
Other income	2.6	0.4	2.6	0.4
iclub Sheung Wan Hotel				
Base/Variable Rents	42.0	6.0	35.6	5.8
iclub Fortress Hill Hotel				
Base/Variable Rents	40.0	5.7	32.4	5.2
iclub To Kwa Wan Hotel				
Rental income	36.0	5.1	30.0	4.9
iclub Wan Chai Hotel				
Gross hotel revenue	29.9	4.3	31.3	5.1
Rental income	6.6	0.9	5.8	0.9
Gross rental and hotel income	701.1	100.0	617.7	100.0
Property operating expenses	(4.8)	(0.7)	(3.8)	(0.6)
Hotel operating expenses	(15.3)	(2.2)	(14.9)	(2.4)
Net rental and hotel income	681.0	97.1	599.0	97.0

During the year under review, net rental and hotel income represented 97.1% 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, 2024, Regal REIT's overall property portfolio was valued at HK\$23,943.0 million (31st December, 2023 - HK\$23,988.0 million). The property portfolio is comprised of (i) the five Initial Hotels, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel, the iclub To Kwa Wan Hotel and the non-hotel portions of iclub Wan Chai Hotel that are classified as investment properties for an aggregate amount of HK\$23,271.0 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\$672.0 million.

Valuations of the properties as at 31st December, 2024 and 31st December, 2023 are tabulated below.

Property	Location	31 Dec 2024 Valuation HK\$ million	31 Dec 2023 Valuation HK\$ million	% Change
<i>Initial Hotels:</i>				
Regal Airport Hotel*	Lantau Island	1,134	1,429	-20.6%
Regal Hongkong Hotel	HK Island	4,356	4,322	+0.8%
Regal Kowloon Hotel	Kowloon	6,012	5,953	+1.0%
Regal Oriental Hotel	Kowloon	1,815	1,805	+0.6%
Regal Riverside Hotel	New Territories	5,181	5,146	+0.7%
		18,498	18,655	-0.8%
<i>iclub Hotels:</i>				
iclub Wan Chai Hotel	HK Island	858	833	+3.0%
iclub Sheung Wan Hotel	HK Island	1,636	1,579	+3.6%
iclub Fortress Hill Hotel	HK Island	1,579	1,560	+1.2%
iclub To Kwa Wan Hotel	Kowloon	1,372	1,361	+0.8%
Overall property portfolio		23,943	23,988	-0.2%

* Sub-lease expiring on 31st December, 2028

The valuations of the properties in the portfolio as at 31st December, 2024 were conducted by Knight Frank Petty Limited ("Knight Frank"), the new principal valuer of Regal REIT appointed by the Trustee for a term of three years commencing from December 2024 to succeed Colliers International (Hong Kong) Limited on its retirement pursuant to the provisions of the REIT Code.

Knight Frank, 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 (2024 Edition)", the Listing Rules and the REIT Code. Knight Frank 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, 2024, Regal REIT's loan facilities aggregating HK\$10,421.0 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\$2,850.0 million secured by Regal Kowloon Hotel; (c) a term loan facility of HK\$416.5 million secured by the iclub Wan Chai Hotel; (d) a term loan facility of HK\$749.5 million secured by the iclub Sheung Wan Hotel; (e) a term loan facility of HK\$755.0 million secured by the iclub Fortress Hill Hotel; and (f) a term loan facility of HK\$650.0 million secured by the iclub To Kwa Wan Hotel.

Financing for the Initial Hotels

The facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$500.0 million (the "2021 IH Facilities"), concluded on 10th August, 2021 through Regal REIT's wholly-owned subsidiaries, were secured by four of the five Initial Hotels, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel. The 2021 IH Facilities have a term of five years and carry interest based on HIBOR. As at 31st December, 2024, the 2021 IH Facilities had an outstanding amount of HK\$4,991.0 million, representing the full amount of the term loan facility and an amount of HK\$491.0 million under the revolving loan facility.

On 24th June, 2022, Regal REIT arranged, through a wholly-owned subsidiary, a term loan facility of HK\$2,950.0 million (the "2022 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. This facility bears HIBOR-based interest and has a term of five years to June 2027. As at 31st December, 2024, the outstanding amount of the 2022 RKH Facility was HK\$2,850.0 million, after an installment repayment of HK\$50.0 million each in June 2023 and June 2024, respectively, representing the full amount of the outstanding term loan facility.

Financing for iclub Wan Chai Hotel

On 18th July, 2024, a new term loan facility of HK\$416.5 million (the "2024 WC Facility") was arranged with a new lender, similarly secured by the iclub Wan Chai Hotel, which was used primarily to refinance the previous term loan facility of HK\$405.0 million that matured in July 2024. The 2024 WC Facility carries interest based on HIBOR and has a loan maturity of December 2027. As at 31st December, 2024, the outstanding facility amount of the 2024 WC Facility was HK\$416.5 million, representing full amount of the term loan facility.

Financing for iclub Sheung Wan Hotel

On 17th October, 2023, Regal REIT arranged, through a wholly-owned subsidiary, a bilateral term loan facility of HK\$749.5 million secured by the iclub Sheung Wan Hotel (the “2023 SW Facility”). The 2023 SW Facility bears HIBOR-based interest with a four-year term to October 2027. As at 31st December, 2024, the outstanding amount of the 2023 SW Facility was HK\$749.5 million, representing the full amount of the term loan facility.

Financing for iclub Fortress Hill Hotel

On 27th November, 2023, Regal REIT arranged, through a wholly-owned subsidiary, another bilateral term loan facility of HK\$755.0 million secured by the iclub Fortress Hill Hotel (the “2023 FH Facility”). The 2023 FH Facility bears HIBOR-based interest and has a term of five years to November 2028. As at 31st December, 2024, the outstanding amount of the 2023 FH Facility was HK\$755.0 million, representing the full amount of the term loan facility.

Financing for iclub To Kwa Wan Hotel

On 15th November, 2023, Regal REIT arranged, through a wholly-owned subsidiary, a 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. As at 31st December, 2024, the outstanding amount of the 2023 TKW Facility was HK\$650.0 million, representing the full amount of the term loan facility.

Managing Fluctuations in Interest Rates

During the year under review, while the interest rates in Hong Kong have slowly receded from their high levels that prevailed in late 2023, the HIBOR continued staying at a relatively high level, lingering within a range of around 4.985% per annum at the start of the year to a low of 3.614% per annum and stayed at 4.579% per annum on 31st December, 2024⁹. Owing to the high interest rates, the substantial financial expenses have continued to adversely impact the operating results of Regal REIT.

With a view to reducing the financial expenses in the near term and hedging against any unexpected reversionary movements in the interest rates, Regal REIT entered into several interest rate swap (“IRS”) transactions to swap the interest expenses from floating rates to fixed rates of 2.77% per annum to 3.66% per annum with terms ranging from 2.0 years to 3.6 years. The notional amount of the IRS transactions aggregated to HK\$1,849.5 million, which represented about 17.8% of the outstanding bank loans of Regal REIT as at the end of the reporting period. For the year ended 31st December, 2024, these IRS transactions generated savings in interest costs of approximately HK\$10.9 million.

⁹ Source: Bloomberg, Hong Kong Dollar HIBOR Fixings 1-Month: 2024.01.01 to 2024.12.31.

Gearing and Cash

As at 31st December, 2024, the gearing ratio of Regal REIT was 43.0% (2023 - 42.7%), being the gross amount of the outstanding loans aggregating HK\$10,412.0 million, which takes into account: (a) the 2021 IH Facilities of HK\$4,991.0 million; (b) the 2022 RKH Facility of HK\$2,850.0 million; (c) the 2024 WC Facility of HK\$416.5 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\$24,225.5 million. The gearing ratio is below the maximum 50% permitted under the REIT Code.

Regal REIT had a total of HK\$3.7 million in unrestricted and HK\$259.0 million in restricted cash balances and bank deposits, and unutilised revolving loan facilities of HK\$9.0 million as at 31st December, 2024. 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, 2024, all nine Regal REIT properties with an aggregate carrying value of HK\$23,943.0 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 2024

After adjusting for the various non-cash items, Regal REIT recorded an adjusted loss of HK\$90.6 million for 2024, as compared to an adjusted loss of HK\$127.6 million recorded in 2023. Therefore, same as with the interim period, the Board of Directors of the REIT Manager has decided not to declare a final distribution for the period from 1st July, 2024 to 31st December, 2024. As there was no interim distribution for the period from 1st January, 2024 to 30th June, 2024, there was no distribution for the 2024 year (2023 final distribution - Nil).

OUTLOOK FOR 2025

Based on recent research from International Monetary Fund (IMF), global growth is projected at 3.3% in 2025, primarily on account of an upward revision in the United States offsetting downward revisions in other major economies. Global headline inflation is expected to decline to 4.2% in 2025, converging back to target earlier in advanced economies than in emerging market and developing economies. Medium-term risks to the baseline are tilted to the downside, while the near-term outlook is characterized by divergent risks. Upside risks could lift already-robust growth in the United States in the short run, whereas risks in other countries are on the downside amid elevated policy uncertainty¹⁰.

Opportunities and challenges coexist in 2025. As per recent research from the Bank of China, the global political and economic landscape is undergoing new changes, increasing the risk of economic downturns. Meanwhile, the new U.S. government's tariff policies and tendencies towards increasing government spending may trigger black swan events that could lead to financial and social crises, negatively impacting Hong Kong's economy. However, as Mainland China continues to focus on cultivating new quality productive forces and deepening high-level openness, the Hong Kong government is actively aligning with national development strategies and measures, bringing Hong Kong new development opportunities¹¹.

Under the new round of trade disputes between the United States and China, the geopolitical tensions in different regions, the volatilities in financial markets as well as the war in Ukraine, there is still a high level of uncertainties in the global economic outlook. Looking into 2025, the path to a full recovery may still be impacted by a number of headwinds, including a high-interest rate environment, prolonged adjustment in the property sector, and a challenging environment for small and medium-sized enterprises¹². It is anticipated that in 2025, Hong Kong will benefit from a series of supportive measures from the central government, further integrating into the national development¹¹. As per the 2025-2026 Budget, Hong Kong's economic growth is expected to reach between 2% to 3%, which indicates that the economy will continue to maintain a mild and steady recovery¹³.

¹⁰ Source: Publications, International Monetary Fund, "World Economic Outlook UPDATE - Global Growth: Divergent and Uncertain", 17th January, 2025.

¹¹ Source: Market Information, Bank of China (Hong Kong) Limited, "Moderate Growth with Fresh Drivers --- 2025 Hong Kong Economic Outlook", December 2024.

¹² Source: News, International Monetary Fund, "People's Republic of China - Hong Kong Special Administrative Region: Staff Concluding Statement of the 2024 Article IV Mission", 10th January, 2025.

¹³ Source: Budget Speech, The 2025-26 Budget, "Economic Outlook for 2025 and the Medium Term", 26th February, 2025.

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 2024, 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 2024 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 “2025 AGM”) will be convened on Thursday, 29th May, 2025. 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 2025 AGM, the Register of Unitholders will be closed from Monday, 26th May, 2025 to Thursday, 29th May, 2025, both days inclusive, during which period no transfers of Units will be effected. In order to be entitled to attend and vote at the 2025 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 Friday, 23rd May, 2025.

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, 28th March, 2025

DIRECTOR AND EXECUTIVE OFFICER PROFILES

DIRECTOR PROFILES

Mr. Lo Yuk Sui, aged 80, 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 Ms. Lo Po Man and Mr. Jimmy Lo Chun To.

Ms. Lo Po Man, aged 45, Vice Chairman and Non-executive Director – Ms. 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 and The University of Hong Kong with a Master’s Degree in Buddhist Studies. Ms. Lo serves as an Adjunct Professor teaching sustainable business management and impact investing at The Hong Kong University of Science and Technology and The University of Hong Kong. Ms. Lo has been officially appointed as Member of the Green Technology and Finance Development Committee, Council Member of Hong Kong University of Science and Technology, and serves on Hong Kong’s Chief Executive’s Policy Unit Expert Group and the Green Technology and Finance Development Committee. She is appointed as Chair of the UNESCAP ESNB Finance Task Force and a member of the Executive Committee of ESNB, and she serves a Chair of the Asia Pacific Green Deal for Business Committee. She is 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. Ms. Lo primarily oversees the operation of the RHIHL group’s hotel business and, in addition, oversees corporate investments and business development of the CCIHL group. Ms. Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Johnny Chen Sing Hung, aged 57, 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 68, 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 82, 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 two 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 is 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 is 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 75, 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 a Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as a 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 of which are listed on the HK Stock Exchange.

Mr. Lo Chun To (Alias: Jimmy), aged 51, 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 property projects of the PHL Group 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 Ms. Lo Po Man.

Mr. Ng Kwai Kai (Alias: Kenneth), aged 70, 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 75, 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 79, 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 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, Cosmopolitan, CSI Properties Limited, CTF Services Limited (formerly known as NWS Holdings Limited), Everbright Grand China Assets Limited, Far East Consortium International Limited, Hao Tian International Construction Investment Group Limited, PHL and Shin Hwa World 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 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 was 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 the property portfolio and participating in 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 and, jointly with Ms. Peony Choi Ka Ka, for reviewing the policies and procedures for the management and operation of Regal REIT. 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 including listed companies. She is familiar with internal audit matters and internal control systems for companies in various business sectors. 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 and a Certified ESG Planner (CEP)[®].

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 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 the REIT Manager discharges its duties under the Trust Deed which includes but is 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; monitoring that 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 policies 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, which 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, 2024:

		No. of Directors
Gender:	Male	9
	Female	1
Age Group:	41-50	1
	51-60	2
	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, 2024, 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, 2024, 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 2024 Interim Report of Regal REIT, the REIT Manager was informed of the following changes of Director's information:

Name of Director	Details of changes
Mr. Abraham Shek Lai Him, GBS, JP	- Ceased to act as a member of both of the Court and the Council of The University of Hong Kong with effect from 31st December, 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 2024, the REIT Manager arranged for the distribution of reading materials covering topics on Enhancing Board Effectiveness: Roles, Functions and Responsibilities of Board, Committees and Directors 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	A,B
Simon Lam Man Lim	A,B
<i>Non-executive Directors</i>	
Jimmy Lo Chun To	B
Kenneth Ng Kwai Kai	A,B
<i>Independent Non-executive Directors</i>	
John William Crawford, JP	A,B
Bowen Joseph Leung Po Wing, GBS, JP	B
Kai Ole Ringenson	A,B
Abraham Shek Lai Him, GBS, JP	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 two general meetings of the Unitholders were held during the year ended 31st December, 2024 and the attendance rates of individual Board members were as follows:

Names of Directors	Attendance/ No. of General Meetings	Attendance/ No. of Board Meetings
<i>Chairman and Non-executive Director</i>		
Lo Yuk Sui	2/2	4/4
<i>Vice Chairman and Non-executive Director</i>		
Lo Po Man	2/2	4/4
<i>Executive Directors</i>		
Johnny Chen Sing Hung	2/2	4/4
Simon Lam Man Lim	2/2	4/4
<i>Non-executive Directors</i>		
Jimmy Lo Chun To	2/2	4/4
Kenneth Ng Kwai Kai	2/2	4/4
<i>Independent Non-executive Directors</i>		
John William Crawford, JP	2/2	4/4
Bowen Joseph Leung Po Wing, GBS, JP	2/2	4/4
Kai Ole Ringenson	2/2	4/4
Abraham Shek Lai Him, GBS, JP	2/2	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, 2024 to consider and review, among other things, the 2023 final results, the 2024 interim results, the internal audit reports, the connected party transactions, the risk management and internal control systems, the effectiveness of the internal audit function, the 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)	3/3
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, 2024 to consider and review, among other things, the 2023 final results announcement, the 2023 annual report, the 2024 interim results announcement, the 2024 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)	2/2
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

Two formal Nomination Committee meetings of the REIT Manager was held during the year ended 31st December, 2024 to, among other things, make the recommendations to the Board on relevant matters relating to the reappointments of the long serving Independent Non-executive Directors and review the structure, size, 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)	2/2
Kenneth Ng Kwai Kai	2/2
John William Crawford, JP	2/2
Bowen Joseph Leung Po Wing, GBS, JP	2/2
Kai Ole Ringenson	2/2
Abraham Shek Lai Him, GBS, JP	2/2

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, 2024 were HK\$1.5 million (2023 - HK\$1.4 million) and HK\$0.6 million (2023 - HK\$0.5 million), respectively. The non-audit services included the interim review of the financial statements of Regal REIT for the six months ended 30th June, 2024, 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 general meetings. 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, 2024.

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.

PUBLIC FLOAT

As at 31st December, 2024, 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, 2024.

COMPLIANCE

Regal REIT and the REIT Manager have in material terms complied with the provisions of the Compliance Manual and, where applicable, the code provisions in the Corporate Governance Code as set out in Appendix C1 of the Listing Rules 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, 2024, in conjunction with Regal REIT's external auditor. This Annual Report was approved by the Board of the REIT Manager on 28th March, 2025.

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, 2024 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, 2024 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 expired on 31st December, 2020. On 20th December, 2019, each of the Initial Hotel – Property Companies entered into the supplemental lease agreement with the RHIHL Lessee to extend the leases (the “IH Lease Extensions”) for the Regal Airport Hotel to 27th December, 2028 and the other four Initial Hotels, namely, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel, to 31st December, 2030, (together, the “IH Extended Period”), with the market rental packages for the IH Extended Period continuing to be determined annually by a jointly appointed independent professional property valuer. As a result, the total lease term of each Initial Hotels Lease Agreement is now from 30th March 2007 to 27th December, 2028 (for the Regal Airport Hotel) and 31st December, 2030 (for the other four Initial Hotels). The 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\$553.2 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 can 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\$1.4 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 expired 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\$42.0 million.

(g) SW Lease Guarantee

RHIHL, a member of the RHIHL Connected Persons Group, has guaranteed to pay all amounts from time to time owing or payable by the RHIHL Lessee to the iclub Sheung Wan Hotel – Property Company under the SW Lease Agreement by entering into the lease guarantee (as may be amended from time to time) (the “SW Lease Guarantee”). On 11th January, 2024, a supplemental deed amending the SW Lease Guarantee was entered into with the Trustee and RHIHL to make consequential amendments in light of the SW Lease Extension, so that RHIHL’s obligation to maintain a third party guarantee can cover the SW Extended Period.

(h) SW Hotel Management Agreement

Regal REIT (via the iclub Sheung Wan Hotel – Property Company) entered into the SW Hotel Management Agreement with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of the iclub Sheung Wan Hotel for a 10-year term commencing on 10th February, 2014. On 11th January, 2024, Regal REIT and the Hotel Manager entered into a supplemental deed amending the SW Hotel Management Agreement to extend its original expiry date (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 expired 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\$40.0 million.

(j) FH Lease Guarantee

RHIHL, a member of the RHIHL Connected Persons Group, has guaranteed to pay all amounts from time to time owing or payable by the RHIHL Lessee to the iclub Fortress Hill Hotel – Property Company under the FH Lease Agreement by entering into the lease guarantee (as may be amended from time to time) (the “FH Lease Guarantee”). On 11th January, 2024, a supplemental deed amending the FH Lease Guarantee was entered into with the Trustee and RHIHL to make consequential amendments in light of the FH Lease Extension, so that RHIHL’s obligation to maintain a third party guarantee can 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 deed amending the FH Hotel Management Agreement to extend its original expiry date (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) 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\$36.0 million.

(m) 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.

(n) TKW Hotel Management Agreement

Regal REIT (via the iclub To Kwa Wan Hotel – Property Company) entered into the TKW Hotel Management Agreement with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of 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\$93.0 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, 2024, the interests of the Substantial Unitholders (as defined in paragraph 8.1 of the REIT Code) (not being a director or chief executive of the REIT Manager) in Units, as recorded in the register (the "Register") required to be kept under the Trust Deed, were as follows:

Names of Substantial Unitholders	Total number of issued Units held	Approximate percentage of the issued Units as at 31st December, 2024^(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, 2024, and its interests in Units are deemed to be the same interests held by CCBVI.
- (v) PDBVI is a wholly-owned subsidiary of PHL and its interests in Units are deemed to be the same interests held by PHL.
- (vi) The interests in 2,439,613,739 Units held by each of RHIHL and RBVI were the same parcel of Units, which were directly held by RBVI and its wholly-owned subsidiaries, respectively.
- (vii) RHIHL is a listed subsidiary of PDBVI, which held an approximately 69.25% shareholding interest in RHIHL as at 31st December, 2024, and its interests in Units are deemed to be the same interests held by PDBVI.
- (viii) RBVI is a wholly-owned subsidiary of RHIHL and its interests in Units are deemed to be the same interests held by RHIHL.
- (ix) These companies are wholly-owned subsidiaries of RBVI and their respective direct interests in Units are deemed to be the same interests held by RBVI.
- (x) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 31st December, 2024.

Save as disclosed herein, there were no other persons who, as at 31st December, 2024, 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, 2024, the interests of the REIT Manager, directors and chief executives of the REIT Manager in Units, as recorded in the Register, were as follows:

Name of Director of the REIT Manager	Total number of issued Units held	Approximate percentage of the issued Units as at 31st December, 2024 ⁽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, 2024.
- (ii) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 31st December, 2024.

Save as disclosed herein, as at 31st December, 2024, none of the REIT Manager, the Directors and the chief executives of the REIT Manager had any interests in Units, which are required to be recorded in the Register. Save for the interests of the Substantial Unitholders and the Director of the REIT Manager (also being the Connected Persons of the Regal REIT) in Units as disclosed herein, the REIT Manager is not aware of any other Connected Persons of Regal REIT holding any Units.

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2024

	Notes	2024 HK\$'000	2023 HK\$'000
REVENUE			
Gross rental revenue	5	671,307	586,439
Gross hotel revenue	5	29,905	31,323
		<u>701,212</u>	<u>617,762</u>
Property and hotel operating expenses		<u>(20,208)</u>	<u>(18,724)</u>
Net rental and hotel income	5	681,004	599,038
Interest income		664	875
Depreciation	11	(8,013)	(7,726)
Fair value changes on investment properties	12	(128,814)	366,920
REIT Manager fees	6	(93,031)	(91,053)
Trust, professional and other expenses	7	(11,836)	(10,547)
Finance costs – excluding distributions to Unitholders	8	<u>(640,434)</u>	<u>(611,183)</u>
PROFIT/(LOSS) BEFORE TAX AND DISTRIBUTIONS TO UNITHOLDERS		(200,460)	246,324
Income tax credit/(expenses)	9	<u>(3,940)</u>	<u>19,412</u>
PROFIT/(LOSS) FOR THE YEAR, BEFORE DISTRIBUTIONS TO UNITHOLDERS		(204,400)	265,736
Finance costs – distributions to Unitholders		<u>—</u>	<u>(32,574)</u>
PROFIT/(LOSS) FOR THE YEAR, AFTER DISTRIBUTIONS TO UNITHOLDERS		<u>(204,400)</u>	<u>233,162</u>
EARNINGS/(LOSS) PER UNIT ATTRIBUTABLE TO UNITHOLDERS			
Basic and diluted	10	<u>HK\$(0.063)</u>	<u>HK\$0.082</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2024

	Notes	2024 HK\$'000	2023 HK\$'000
PROFIT/(LOSS) FOR THE YEAR, BEFORE DISTRIBUTION TO UNITHOLDERS		(204,400)	265,736
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Change in fair value of cash flow hedges		12,569	—
Transfer from hedging reserve to consolidated statement of profit or loss		(10,902)	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		1,667	—
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on revaluation of property	11	43,543	39,338
Income tax effect	23	(7,184)	(6,491)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		36,359	32,847
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		38,026	32,847
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, BEFORE DISTRIBUTION TO UNITHOLDERS		(166,374)	298,583

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2024

	Notes	As at 31st December, 2024 HK\$'000	As at 31st December, 2023 HK\$'000 (restated)	As at 1st January, 2023 HK\$'000 (restated)
Non-current assets				
Property, plant and equipment	11	672,000	636,000	604,000
Investment properties	12	23,271,000	23,352,000	22,949,000
Derivative financial instruments	22	2,671	—	—
Finance lease receivables	13	—	998	7,468
Total non-current assets		23,945,671	23,988,998	23,560,468
Current assets				
Accounts receivable	14	335	6,511	884
Prepayments, deposits and other receivables	15	9,642	9,369	6,500
Due from related companies	27(b)	3,401	2,228	2,747
Tax recoverable		2,661	2,532	5,871
Finance lease receivables	13	998	6,470	6,351
Restricted cash	16	259,015	330,360	124,354
Cash and cash equivalents	17	3,741	45,877	141,336
Total current assets		279,793	403,347	288,043
Total assets		24,225,464	24,392,345	23,848,511
Current liabilities				
Accounts payable	18	44,939	40,242	70,028
Deposits received		2,282	182	10,151
Due to related companies	27(b)	183,694	183,722	521
Other payables and accruals		61,585	72,125	60,775
Contract liabilities	19	482	461	1,096
Interest-bearing bank borrowings	21	697,656	453,960	5,426,031
Lease liabilities	20	998	6,470	6,351
Tax payable		14,092	600	6,726
Total current liabilities		1,005,728	757,762	5,581,679
Net current liabilities		(725,935)	(354,415)	(5,293,636)
Total assets less current liabilities		23,219,736	23,634,583	18,266,832

	Notes	As at 31st December, 2024 HK\$'000	As at 31st December, 2023 HK\$'000 (restated)	As at 1st January, 2023 HK\$'000 (restated)
Non-current liabilities, excluding net assets attributable to Unitholders				
Interest-bearing bank borrowings	21	9,656,447	9,886,472	4,755,189
Lease liabilities	20	—	998	7,468
Derivative financial instruments	22	682	—	—
Deposits received		633	2,867	—
Deferred tax liabilities	23	654,475	670,373	696,311
Total non-current liabilities		10,312,237	10,560,710	5,458,968
Total liabilities, excluding net assets attributable to Unitholders				
		11,317,965	11,318,472	11,040,647
Net assets attributable to Unitholders				
		12,907,499	13,073,873	12,807,864
Number of Units in issue				
	24	3,257,431,189	3,257,431,189	3,257,431,189
Net asset value per Unit attributable to Unitholders				
	25	HK\$3.962	HK\$4.014	HK\$3.932

The consolidated financial statements on pages 68 to 128 were approved and authorised for issue by Regal Portfolio Management Limited as the Manager of Regal REIT on 28th March, 2025 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, 2024

	Units HK\$'000	Capital reserve HK\$'000	Hedging reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets as at 1st January, 2024	8,432,356	15,876	—	220,450	4,405,191	13,073,873
Loss for the year	—	—	—	—	(204,400)	(204,400)
Other comprehensive income for the year:						
Cash flow hedges	—	—	1,667	—	—	1,667
Gain on revaluation of property, net of tax	—	—	—	36,359	—	36,359
Total comprehensive loss for the year, before distribution to Unitholders	—	—	1,667	36,359	(204,400)	(166,374)
Transfer of depreciation on hotel property	—	—	—	(2,211)	2,211	—
Net assets as at 31st December, 2024	8,432,356	15,876	1,667	254,598	4,203,002	12,907,499

For the year ended 31st December, 2023

	Units HK\$'000	Capital reserve HK\$'000	Hedging 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 distribution to Unitholders	—	—	—	32,847	265,736	298,583
Transfer of depreciation on hotel property	—	—	—	(1,874)	1,874	—
Finance costs - distribution 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

DISTRIBUTION STATEMENT

For the year ended 31st December, 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Profit/(Loss) for the year, before distributions to Unitholders		(204,400)	265,736
Adjustments:			
Amounts set aside for the furniture, fixtures and equipment reserve	(d)	(27,910)	(28,120)
Amortisation of debt establishment costs		27,987	26,395
Fair value changes on investment properties		128,814	(366,920)
Depreciation		8,013	7,726
Deferred tax credit		(23,082)	(32,429)
Adjusted loss for the year	(a)	(90,578)	(127,612)
		HK\$	HK\$
Distributions per Unit:			
Interim	(b)	—	—
Final	(c)	—	—
		—	—

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\$43.8 million for the six months ended 30th June, 2024 and an adjusted loss of HK\$19.4 million for the six months ended 30th June, 2023. Hence no interim distribution was declared for the six months ended 30th June, 2024 and 2023, respectively.

(c) Regal REIT recorded an adjusted loss of HK\$90.6 million for the year under review and an adjusted loss of HK\$127.6 million in 2023.

Accordingly, the REIT Manager has decided not to declare a final distribution for the years ended 31st December, 2024 and 2023, respectively.

(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 to HK\$27.9 million (2023: HK\$28.1 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2024

	Notes	2024 HK\$'000	2023 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax and distributions to Unitholders		(200,460)	246,324
Adjustments for:			
Provision of credit losses on other receivables		987	—
Fair value changes on investment properties	12	128,814	(366,920)
Interest income		(664)	(875)
Finance costs - excluding distributions to Unitholders	8	640,434	611,183
Depreciation	11	8,013	7,726
		<u>577,124</u>	<u>497,438</u>
Decrease/(increase) in accounts receivable		6,176	(5,627)
Increase in prepayments, deposits and other receivables		(3,091)	(837)
Decrease/(increase) in amounts due from related companies		(1,173)	519
Increase in restricted cash		(12)	(20)
Increase/(decrease) in accounts payable		4,697	(29,786)
Decrease in deposits received		(134)	(7,102)
Increase/(decrease) in amounts due to related companies		(28)	183,201
Decrease in other payables and accruals		(471)	(5,238)
Increase/(decrease) in contract liabilities		21	(635)
		<u>583,109</u>	<u>631,913</u>
Cash generated from operations		583,109	631,913
Interest received		10,056	3,018
Interest paid		(630,399)	(572,375)
Hong Kong profits tax paid		(13,659)	(15,804)
		<u>(50,893)</u>	<u>46,752</u>
Net cash flows from/(used in) operating activities		(50,893)	46,752
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(470)	(388)
Additions to investment properties		(47,814)	(36,080)
Principal portion of finance lease received		6,470	6,351
Decrease in restricted cash		15,601	8,879
		<u>(26,213)</u>	<u>(21,238)</u>
Net cash flows used in investing activities		(26,213)	(21,238)

	Notes	2024 HK\$'000	2023 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank borrowings, net of debt establishment costs		470,884	2,523,817
Repayment of bank borrowings		(485,200)	(2,391,000)
Principal portion of lease payments		(6,470)	(6,351)
Distributions paid		—	(32,574)
Decrease/(increase) in restricted cash		55,756	(214,865)
Net cash flows from/(used in) financing activities		34,970	(120,973)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(42,136)	(95,459)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		45,877	141,336
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		3,741	45,877
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	3,741	45,877

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2024

1. GENERAL

Regal Real Estate Investment Trust ("Regal REIT") is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units (the "Units") were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30th March, 2007. Regal REIT is governed by a trust deed (the "Trust Deed") dated 11th December, 2006 (date of establishment), made between Regal Portfolio Management Limited (the "REIT Manager") and DB Trustees (Hong Kong) Limited (the "Trustee") (as amended and restated by the first amending and restating deed dated 23rd March, 2021 and the second amending and restating deed dated 31st January, 2024) and the Code on Real Estate Investment Trusts (the "REIT Code") issued by the 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, investment properties and derivative financial instruments which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HK\$"), the functional currency of Regal REIT, and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31st December, 2024, the Group's current liabilities exceeded its current assets by HK\$725,935,000. The net current liabilities position was mainly due to the term loans of HK\$700,000,000 which mature within twelve months and were 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, the Group's unutilised revolving loan facility and the financial support provided by the immediate listed holding company of the Group, 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, 2024. 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 revised HKFRSs for the first time for the current year's financial statements.

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

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

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

The Group has reassessed the terms and conditions of its liabilities as at 1st January, 2023 and 2024 upon initial application of the amendments. As at 1st January, 2023 and 2024, the Group had an interest-bearing bank borrowing with carrying amount of HK\$301,000,000 and HK\$465,400,000, respectively, which was repayable within 12 months. The borrowing was drawn down from a 5-year banking facility expiring on 5th August, 2026 and the Group has the right to roll over the loan for another year subject to the compliance with certain covenant tests. Prior to the initial application of the amendments, the interest-bearing bank borrowing was classified as a current liability as the Group did not have an unconditional right to defer the settlement for at least 12 months after the reporting period. Upon initial application of the amendments, the loan was reclassified as a non-current liability since the Group has the right to roll over the interest-bearing bank borrowing for at least twelve months after 1st January, 2023 and 2024 under its existing loan facility. The quantitative impact on the consolidated statements of financial position is summarised below.

	Increase/(decrease)		
	As at 31st December, 2024 HK\$'000	As at 31st December, 2023 HK\$'000	As at 1st January, 2023 HK\$'000
Current liabilities			
Interest-bearing bank borrowings	(491,000)	(465,400)	(301,000)
Net current liabilities	<u>(491,000)</u>	<u>(465,400)</u>	<u>(301,000)</u>
Total assets less current liabilities	<u>491,000</u>	<u>465,400</u>	<u>301,000</u>
Non-current liabilities			
Interest-bearing bank borrowings	491,000	465,400	301,000

The adoption of the amendments did not have any impact on the basic and diluted earnings/(loss) per Unit attributable to Unitholders, profit or loss, other comprehensive income and the consolidated statements of cash flows for the years ended 31st December, 2024 and 2023.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 18	<i>Presentation and Disclosure in Financial Statements³</i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures³</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments²</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendments to HKAS 21	<i>Lack of Exchangeability¹</i>
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ²

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

² Effective for annual periods beginning on or after 1st January, 2026

³ Effective for annual/reporting periods beginning on or after 1st January, 2027

⁴ No mandatory effective date yet determined but available for adoption

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

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1st January, 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As Regal REIT is a collective investment scheme, it is not eligible to elect to apply HKFRS 19. Some of the Regal REIT's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* only apply to contracts that reference nature-dependent electricity and clarify the application of the 'own-use' requirements for in-scope contracts. The amendments to HKFRS 9 will now allow an entity designating a contract referencing nature-dependent electricity as the hedging instrument in a hedge of forecast electricity transactions, to designate a variable nominal amount of forecast electricity transactions as the hedged item. HKFRS 7 has been amended to require disclosures relating to contracts that have been excluded from the scope of HKFRS 9 as a result of the amendments. In such cases, an entity must disclose in a single note:

- Information about the contractual features that expose the entity to variability in an underlying amount of electricity and the risk that the entity would be required to buy electricity during a delivery interval where it cannot use it.
- Information about unrecognised contractual commitments arising from such contracts.
- Qualitative and quantitative information about the effects on the entity's financial performance for the reporting period interval where it cannot use it.

The HKFRS 7 disclosure amendments must be applied when the HKFRS 9 amendments are applied. The clarifications regarding the 'own use' requirements must be applied retrospectively without using hindsight, but the guidance permits hedge accounting to be applied prospectively to new hedging relationships designated on or after the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any 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, investment properties and derivative financial instruments 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, derivative financial instruments 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 deferred tax assets, 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 property 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 and fair value through profit or loss.

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

The subsequent measurement of financial assets depends on their classification as follows:

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 statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through other comprehensive income.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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 or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the consolidated statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in the consolidated statement of other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The hedging reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in net assets is removed from the separate component of net assets and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the consolidated statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the consolidated statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

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.

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 term 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).

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

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.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Derivative financial instruments and hedging activities

Derivative financial instruments and hedging activities require the Group to make judgements on the designation of the hedging relationship of the Group's derivatives and their hedge effectiveness. These judgements determine if the changes in fair values of the derivative instruments are recognised directly in other comprehensive income in the hedging reserve or any ineffective element is recognised in the consolidated statement of profit or loss. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. The Group uses judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group uses a discounted cash flow analysis for its derivative financial instruments that are not traded in active markets.

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.

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, 2024. 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, 2024 are as follows:

	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Segment revenue			
Gross rental revenue	664,659	6,648	671,307
Gross hotel revenue	—	29,905	29,905
Total	<u>664,659</u>	<u>36,553</u>	<u>701,212</u>
Segment results	<u>661,420</u>	<u>19,584</u>	<u>681,004</u>
Fair value changes on investment properties	(117,814)	(11,000)	(128,814)
Depreciation	—	(8,013)	(8,013)
Interest income			664
REIT Manager fees			(93,031)
Trust, professional and other expenses			(11,836)
Finance costs – excluding distributions to Unitholders			<u>(640,434)</u>
Loss before tax and distributions to Unitholders			<u><u>(200,460)</u></u>

The operating segments of the Group for the year ended 31st December, 2023 were 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	<u>580,644</u>	<u>37,118</u>	<u>617,762</u>
Segment results	<u>577,469</u>	<u>21,569</u>	<u>599,038</u>
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			<u>(611,183)</u>
Profit before tax and distributions to Unitholders			<u><u>246,324</u></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, 2024, the Group's segment assets, comprised of the aggregate fair values of the investment properties and property, plant and equipment in the hotel properties segment and the mixed use property segment, amounted to HK\$23,085,000,000 (2023: HK\$23,155,000,000) and HK\$858,000,000 (2023: HK\$833,000,000), respectively.

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

Other segment information

	Year ended 31st December, 2024		
	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Capital expenditures	<u>47,384</u>	<u>470</u>	<u>47,854</u>
	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>

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

Information about a major customer

For the year ended 31st December, 2024, revenue of HK\$664,659,000 (2023: HK\$580,644,000) 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	2024 HK\$'000	2023 HK\$'000
Gross rental revenue			
Rental income			
Initial Hotels	(a)	544,000	480,000
iclub Wan Chai Hotel – Non-hotel portions		6,648	5,795
iclub Sheung Wan Hotel	(b)	42,000	35,628
iclub Fortress Hill Hotel	(c)	40,000	32,358
iclub To Kwa Wan Hotel	(d)	36,000	30,000
Other income		2,659	2,658
		<u>671,307</u>	<u>586,439</u>
Property operating expenses		<u>(4,863)</u>	<u>(3,831)</u>
Net rental income		<u>666,444</u>	<u>582,608</u>
Gross hotel revenue		29,905	31,323
Hotel operating expenses		<u>(15,345)</u>	<u>(14,893)</u>
Net hotel income		<u>14,560</u>	<u>16,430</u>
Net rental and hotel income		<u><u>681,004</u></u>	<u><u>599,038</u></u>
Revenue from contracts with customers			
Gross hotel revenue	(e)	<u>29,905</u>	<u>31,323</u>
Revenue from other sources			
Gross rental income		<u><u>671,307</u></u>	<u><u>586,439</u></u>

Notes:

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

	2024 HK\$'000	2023 HK\$'000
Base Rent	544,000	480,000
Variable Rent	—	—
	<u>544,000</u>	<u>480,000</u>

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

	2024 HK\$'000	2023 HK\$'000
Base Rent	42,000	32,000
Variable Rent	—	3,628
	<u>42,000</u>	<u>35,628</u>

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

	2024 HK\$'000	2023 HK\$'000
Base Rent	40,000	30,000
Variable Rent	—	2,358
	<u>40,000</u>	<u>32,358</u>

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

	2024 HK\$'000	2023 HK\$'000
Base Rent	36,000	30,000
Variable Rent	—	—
	<u>36,000</u>	<u>30,000</u>

(e) Gross hotel revenue is recognised over time.

6. REIT MANAGER FEES

	2024 HK\$'000	2023 HK\$'000
Base Fees	72,671	73,155
Variable Fees	20,360	17,898
	93,031	91,053

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 2024, the REIT Manager elected to receive its Base Fees and Variable Fees in the form of cash. Details of which can be referred to an announcement of Regal REIT published on 30th November, 2023.

7. TRUST, PROFESSIONAL AND OTHER EXPENSES

	2024 HK\$'000	2023 HK\$'000
Auditor's remuneration:		
Audit fees	1,452	1,350
Non-audit fees	554	534
Legal and other professional fees	3,582	2,610
Trustee fees	3,755	3,780
Valuation fees	365	400
Other expenses	2,128	1,873
	11,836	10,547

Regal REIT did not appoint any directors and the Group did not engage any employees during the year (2023: Nil) and, accordingly, no director and employee benefit expenses were incurred during the year (2023: Nil).

8. FINANCE COSTS - EXCLUDING DISTRIBUTIONS TO UNITHOLDERS

	2024 HK\$'000	2023 HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on interest-bearing bank borrowings	630,373	586,134
Amortisation of debt establishment costs	27,987	26,395
Interest income from restricted cash	(7,883)	(4,172)
Interest expense on lease liabilities	84	204
	<u>650,561</u>	<u>608,561</u>
Fair value changes on derivative financial instruments		
– cash flow hedges (transfer from hedging reserve)	(10,902)	—
Others	775	2,622
	<u>640,434</u>	<u>611,183</u>

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2024 HK\$'000	2023 HK\$'000
Charge for the year	12,949	13,045
Under/(over)-provision in prior years	14,073	(28)
Deferred (note 23)	(23,082)	(32,429)
Total tax charge/(credit) for the year	<u>3,940</u>	<u>(19,412)</u>

A reconciliation of the tax charge applicable to profit/(loss) before tax and distributions to Unitholders at the Hong Kong statutory tax rate of 16.5% (2023: 16.5%) to the tax charge at the Group's effective tax rate is as follows:

	2024 HK\$'000	2023 HK\$'000
Profit/(loss) before tax and distributions to Unitholders	<u>(200,460)</u>	<u>246,324</u>
Tax charge/(credit) at the statutory tax rate	(33,079)	40,643
Adjustments in respect of current tax of previous periods	14,072	(28)
Income not subject to tax	(30,647)	(60,770)
Expenses not deductible for tax	52,825	928
Others	769	(185)
Tax charge/(credit) at the Group's effective rate	<u>3,940</u>	<u>(19,412)</u>

In 2024, the Hong Kong Inland Revenue Department (the “IRD”) issued enquiry letters to two subsidiaries of Regal REIT regarding the claim for deduction of certain interest expenses incurred on certain non-income generating assets for the year of assessment 2017/18 to 2023/24. Subsequent to the end of the reporting date, these subsidiaries transmitted a proposal to the IRD for settling additional tax liability of approximately HK\$14,092,000 (the “Tax Treatments”). There is uncertainty at this stage over whether the IRD will conclude the Tax Treatments under tax law. Up to the date of approval of the financial statements, the REIT Manager considers that adequate tax provisions have been made in the consolidated financial statements by the above-mentioned subsidiaries, which are subject to the agreement by the IRD.

10. EARNINGS/(LOSS) PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The calculation of the basic loss per Unit (2023: basic earnings per Unit) attributable to Unitholders is based on the loss for the year before distributions to Unitholders of HK\$204,400,000 (2023: profit of HK\$265,736,000) and 3,257,431,189 Units in issue (2023: 3,257,431,189 Units). The basic loss per Unit attributable to Unitholders for the year amounted to HK\$0.063 (2023: basic earnings per Unit of HK\$0.082).

The diluted loss per Unit attributable to Unitholders is the same as the basic loss per Unit attributable to Unitholders as there were no dilutive instruments in issue during the year (2023: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Authorised investment
	Hotel property HK\$'000
At 1st January, 2023	604,000
Additions	388
Surplus on revaluation	39,338
Depreciation provided during the year	(7,726)
At 31st December, 2023 and 1st January, 2024	636,000
Additions	470
Surplus on revaluation	43,543
Depreciation provided during the year	(8,013)
At 31st December, 2024	672,000

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 Knight Frank Petty Limited (“Knight Frank”), an independent property valuer and the principal valuer of Regal REIT, at HK\$672,000,000 as at 31st December, 2024 (2023: HK\$636,000,000). A revaluation surplus of HK\$43,543,000 (2023: HK\$39,338,000) resulting from the valuation as at 31st December, 2024 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\$367,095,000 (2023: HK\$371,990,000) had such assets been stated in the consolidated financial statements at cost less accumulated depreciation.

Further particulars of the Group's hotel property are included on page 203.

12. INVESTMENT PROPERTIES

	Authorised investments		
	Hotel properties HK\$'000	Commercial properties HK\$'000	Total HK\$'000
At 1st January, 2023	22,753,000	196,000	22,949,000
Fair value changes	365,920	1,000	366,920
Capital expenditures for the year	36,080	—	36,080
At 31st December, 2023 and 1st January, 2024	23,155,000	197,000	23,352,000
Fair value changes	(117,814)	(11,000)	(128,814)
Capital expenditures for the year	47,384	—	47,384
Others	430	—	430
At 31st December, 2024	23,085,000	186,000	23,271,000

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 Knight Frank at HK\$23,271,000,000 as at 31st December, 2024 (2023: HK\$23,352,000,000). The investment properties are leased to a related company and other commercial tenants under operating leases. Further details of which are included in note 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 202 to 203.

13. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Amounts receivable:				
Not later than one year	999	6,555	998	6,470
Later than one year and not later than five years	—	999	—	998
	<u>999</u>	<u>7,554</u>	<u>998</u>	<u>7,468</u>
Less: Unearned finance income	<u>(1)</u>	<u>(86)</u>		
	998	7,468		
Portion classified as current assets	<u>(998)</u>	<u>(6,470)</u>		
Non-current portion	<u>—</u>	<u>998</u>		

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

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

14. ACCOUNTS RECEIVABLE

	2024 HK\$'000	2023 HK\$'000
Variable Rent receivable	—	5,986
Other accounts receivable	<u>335</u>	<u>525</u>
	<u>335</u>	<u>6,511</u>

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

The Variable Rent receivable represents amounts due from a related company which are 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

	2024 HK\$'000	2023 HK\$'000
Prepayments	3,661	1,882
Deposits and other receivables	6,968	7,487
	<u>10,629</u>	<u>9,369</u>
Provision for credit losses	(987)	—
	<u>9,642</u>	<u>9,369</u>

Impairment allowance was assessed and made by the Group on a case-by-case basis, based on the historical default experience and forward-looking information that may impact the debtors' ability to repay the outstanding other receivables. If the Group considered that the recovering of the other receivable is remote, relevant provision for credit losses would be written off against the receivable directly.

The movement in the provision for credit losses during the year is as follows:

	2024 HK\$'000	2023 HK\$'000
At the beginning of the year	—	—
Provision for credit losses	987	—
	<u>987</u>	<u>—</u>
At the end of the year	<u>987</u>	<u>—</u>

Deposits in the amount of HK\$1,212,000 (2023: 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

	2024 HK\$'000	2023 HK\$'000
Amounts due to related companies	43,818	39,524
Other accounts payable	1,121	718
	<u>44,939</u>	<u>40,242</u>

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

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

19. CONTRACT LIABILITIES

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

	2024 HK\$'000	2023 HK\$'000
Advances from customers	<u>482</u>	<u>461</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:

	2024 HK\$'000	2023 HK\$'000
Carrying amount at 1st January	7,468	13,819
Accretion of interest recognised during the year	84	204
Payments	(6,554)	(6,555)
Carrying amount at 31st December	<u>998</u>	<u>7,468</u>
Analysed into:		
Current portion	998	6,470
Non-current portion	—	998
	<u>998</u>	<u>7,468</u>

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

	2024 HK\$'000	2023 HK\$'000
Interest on lease liabilities	84	204
Expense relating to short-term leases (included in property and hotel operating expenses)	361	360
Total amount recognised in profit or loss	<u>445</u>	<u>564</u>

(c) The total cash outflow for leases was HK\$6,915,000 (2023: HK\$6,915,000).

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:

	2024	2023
	HK\$'000	HK\$'000
Within one year	675,283	674,106
After one year but within two years	455	6,217
After two years but within three years	—	2,577
	<u>675,738</u>	<u>682,900</u>

21. INTEREST-BEARING BANK BORROWINGS

	As at 31st December, 2024 HK\$'000	As at 31st December, 2023 HK\$'000 (restated)	As at 1st January, 2023 HK\$'000 (restated)
Interest-bearing bank borrowings	10,412,000	10,424,900	10,271,000
Debt establishment costs	(57,897)	(84,468)	(89,780)
	<u>10,354,103</u>	<u>10,340,432</u>	<u>10,181,220</u>
Portion classified as current liabilities	(697,656)	(453,960)	(5,426,031)
Non-current portion	<u>9,656,447</u>	<u>9,886,472</u>	<u>4,755,189</u>
	2024	2023	
	HK\$'000	HK\$'000	
Principal amounts repayable based on original maturity terms:			
Within one year	1,191,000	920,400	
In the second year	4,550,000	700,000	
In the third to fifth years, inclusive	4,671,000	8,804,500	
	<u>10,412,000</u>	<u>10,424,900</u>	

The interest-bearing bank borrowings are subject to loan covenants including interest coverage ratio and loan to value ratio which are tested on periodic basis. As at 31st December 2024, the loan covenants under relevant loan agreements were complied with. The Group considers there is no indication that it will have difficulties in complying with these covenants.

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, 2024, the 2021 IH Facilities had an outstanding amount of HK\$4,991.0 million, representing the full amount of the term loan facility and an amount of HK\$491.0 million under the revolving loan facility.

On 24th June, 2022, Regal REIT concluded a 5-year term loan facility of HK\$2,950.0 million (the “2022 RKH Facility”) with a lender, secured by the Regal Kowloon Hotel. The 2022 RKH Facility has repayment obligations of HK\$50.0 million on each of its anniversary date to maturity. As at 31st December, 2024, the outstanding amount of the 2022 RKH Facility was HK\$2,850.0 million, after instalment repayment of HK\$50.0 million each in June 2023 and June 2024, respectively, representing the full amount of the term loan facility. The Group also entered into interest rate swap arrangements to hedge against the interest rate exposure of the 2022 RKH Facility for a notional amount of HK\$600.0 million, details of which are set out in note 22.

On 17th October, 2023, Regal REIT arranged, through a wholly-owned subsidiary, Tristan Limited, a bilateral term loan facility of HK\$749.5 million and secured by the iclub Sheung Wan Hotel (the “2023 SW Facility”). The 2023 SW Facility bears HIBOR-based interest with a four-year term to October 2027. As at 31st December, 2024, the outstanding amount of the 2023 SW Facility was HK\$749.5 million, representing the full amount of the term loan facility. The Group also entered into interest rate swap arrangements to hedge against the interest rate exposure of the 2023 SW Facility for a notional amount of HK\$749.5 million, details of which are set out in note 22.

On 27th November, 2023, Regal REIT arranged, through a wholly-owned subsidiary, Wise Decade Investments Limited, another bilateral term loan facility of HK\$755.0 million and secured by the iclub Fortress Hill Hotel (the “2023 FH Facility”). The 2023 FH Facility bears HIBOR-based interest and has a term of five years to November 2028. As at 31st December, 2024, the outstanding amount of the 2023 FH Facility was HK\$755.0 million, representing the full amount of the term loan facility. The Group also entered into interest rate swap arrangements to hedge against interest rate exposure of the 2023 FH Facility for a notional amount of HK\$500.0 million, details of which are set out in note 22.

On 15th November, 2023, Regal REIT arranged, through a wholly-owned subsidiary, Land Crown International Limited, a 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. As at 31st December, 2024, the outstanding amount of the 2023 TKW Facility was HK\$650.0 million, representing the full amount of the term loan facility.

On 18th July, 2024, Regal REIT arranged, through a wholly-owned subsidiary, Sonnix Limited, a new term loan facility of HK\$416.5 million, secured by the iclub Wan Chai Hotel (the “2024 WC Facility”), with a term of forty one months to December 2027 and bearing HIBOR-based interest, to replace the previous term loan facility of HK\$405.0 million. As at 31st December 2024, the outstanding amount of the 2024 WC Facility was HK\$416.5 million, representing the full amount of the term loan facility.

As at 31st December, 2024, the outstanding loan facilities bore interest at the Hong Kong Interbank Offered Rate plus an interest margin ranging from 1.05% per annum to 1.80% per annum (2023: ranging from 1.05% per annum to 1.80% per annum).

Bank borrowings under the 2021 IH Facilities, the 2022 RKH Facility, the 2023 SW Facility, the 2023 FH Facility, the 2023 TKW Facility and the 2024 WC 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. DERIVATIVE FINANCIAL INSTRUMENTS

	2024		2023	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Interest rate swaps – cash flow hedges	<u>2,671</u>	<u>682</u>	<u>—</u>	<u>—</u>

The Group uses interest rate swaps to minimise its exposure to movements in interest rates in relation to certain portion of its floating rate term loans. As at 31st December, 2024, the interest rate swaps had an aggregate notional amount of HK\$1,849.5 million (2023: Nil) (note 21). The full fair value of these cash flow hedges is classified as a non-current item as the remaining maturities of the hedged items extend for more than 12 months.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swap match the terms of the variable rate loans (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the interest rate swap is identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

There is no hedge ineffectiveness recognised in profit or loss. Consequently, the change in fair value used for measuring ineffectiveness for the year ended 31st December, 2024 of the hedging instruments is the same as that of the hedged items, equaling the amount of the total fair value gain recognised in the hedging reserve of HK\$12,569,000 (2023: Nil) above.

23. 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, 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>
Gross deferred tax assets/(liabilities) at 1st January, 2024	(43,562)	(686,614)	59,803	(670,373)
Deferred tax charged to other comprehensive income during the year	(7,184)	—	—	(7,184)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 9)	<u>437</u>	<u>(18,178)</u>	<u>40,823</u>	<u>23,082</u>
Gross deferred tax assets/(liabilities) at 31st December, 2024	<u>(50,309)</u>	<u>(704,792)</u>	<u>100,626</u>	<u>(654,475)</u>

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

24. NUMBER OF UNITS IN ISSUE

	Number of Units	
	2024	2023
At beginning and end of the year	3,257,431,189	3,257,431,189

25. 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, 2024 of HK\$12,907,499,000 (2023: HK\$13,073,873,000) by the number of Units in issue of 3,257,431,189 (2023: 3,257,431,189) as at that date.

26. 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, 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 and at 1st January, 2024	7,468	10,340,432
Changes from financing cash flows	(6,470)	(14,316)
Non-cash change:		
Amortisation of debt establishment costs	—	27,987
At 31st December, 2024	998	10,354,103

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	2024 HK\$'000	2023 HK\$'000
Contractual rental income received/receivable from the RHIHL Group	(i)	671,213	587,198
Rental income received/receivable from the RHIHL Group	(ii)	—	1,083
Hotel management fees charged by the RHIHL Group	(iii)	(1,364)	(1,491)
Marketing fees charged by the RHIHL Group	(iv)	(299)	(313)
Building management fees charged by the PHL Group	(v)	(632)	(632)
REIT Manager fees	(vi)	(93,031)	(91,053)
Trustee fees	(vii)	(3,755)	(3,780)
Meeting fees charged by the RHIHL Group	(viii)	(391)	—

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	2024 HK\$'000	2023 HK\$'000
Net amounts due from/(to) the RHIHL Group:			
Accounts payable to related companies	(i)	(43,818)	(39,524)
Amounts due from related companies	(i)	3,401	2,228
Amounts due to related companies	(i)	(183,694)	(183,722)
Net amounts due from the PHL Group:			
Deposits paid	(i)	1,212	1,212
Net amounts due to:			
The Trustee	(ii)	(928)	(1,019)
Restricted and non-restricted bank balances with the Deutsche Bank Group			
	(iii)	<u>153</u>	<u>154</u>

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 bank balances earn interest at prevailing market rates.
- (c) The RHIHL Group has guaranteed to pay all amounts from time to time owing or payable by the lessee of the Initial Hotels to the Group under the respective lease agreements, when the same become due, together with other charges and outgoings, interest, default interest, fees and costs. In this connection, the RHIHL Group undertook to maintain a minimum consolidated tangible net worth (as defined in the relevant agreements) of HK\$4 billion. Under the Market Rental Package for 2024, the RHIHL Group provided a third party guarantee as security deposit for an amount of HK\$136.00 million (2023: HK\$120.00 million), which is equivalent to three-month Base Rent for the year 2024, issued by a licensed bank in Hong Kong.
- (d) Under a deed of trade mark licence, the RHIHL Group granted the REIT Manager and companies holding the Initial Hotels within the Group a non-exclusive and non-transferable licence at Nil consideration to use its registered trade marks or service marks for the purpose of describing the ownership of the Initial Hotels and/or use in connection with the business of the Initial Hotels.
- (e) On 10th February, 2014, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Sheung Wan Hotel for a 10-year term commencing on 10th February, 2014 and extended its term to 31st December, 2034 (amended by the supplemental deeds dated 11th January, 2024).
- (f) On 28th July, 2014, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Fortress Hill Hotel for a 10-year term commencing on 28th July, 2014 and extended its term to 31st December, 2034 (amended by the supplemental deeds dated 11th January, 2024).
- (g) On 4th September, 2017, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub To Kwa Wan Hotel for a 10-year term commencing on 4th September, 2017.
- (h) On 20th December, 2019, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Wan Chai Hotel for a 10-year term commencing on 1st January, 2021.

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:

2024

Financial assets

	Financial assets at fair value through profit or loss - mandatorily designated as hedging instruments HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Accounts receivable	—	335	335
Financial assets included in prepayments, deposits and other receivables	—	5,981	5,981
Due from related companies	—	3,401	3,401
Finance lease receivables	—	998	998
Derivative financial instruments	2,671	—	2,671
Restricted cash	—	259,015	259,015
Cash and cash equivalents	—	3,741	3,741
	<u>2,671</u>	<u>273,471</u>	<u>276,142</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss - mandatorily designated as hedging instruments HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
Accounts payable	—	44,939	44,939
Deposits received	—	2,915	2,915
Due to related companies	—	183,694	183,694
Other payables and accruals	—	61,585	61,585
Contract liabilities	—	482	482
Derivative financial instruments	682	—	682
Interest-bearing bank borrowings	—	10,354,103	10,354,103
Lease liabilities	—	998	998
	<u>682</u>	<u>10,648,716</u>	<u>10,649,398</u>

2023

Financial assets

	Financial assets at amortised cost HK\$'000
Accounts receivable	6,511
Financial assets included in prepayments, deposits and other receivables	7,487
Due from related companies	2,228
Finance lease receivables	7,468
Restricted cash	330,360
Cash and cash equivalents	45,877
	<u>399,931</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Accounts payable	40,242
Deposits received	3,049
Due to related companies	183,722
Other payables and accruals	72,125
Contract liabilities	461
Interest-bearing bank borrowings	10,340,432
Lease liabilities	7,468
	<u>10,647,499</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.

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

The REIT Manager considers 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 financial instruments and non-financial assets:

Assets measured at fair value:

As at 31st December, 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
Property, plant and equipment	—	—	672,000	672,000
Investment properties	—	—	23,271,000	23,271,000
Derivative financial instruments	—	2,671	—	2,671
	—	2,671	23,943,000	23,945,671

As at 31st December, 2023

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

Liability measured at fair value:

As at 31st December, 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$' 000	Significant observable inputs (Level 2) HK\$' 000	Significant unobservable inputs (Level 3) HK\$' 000	Total HK\$' 000
Derivative financial instruments	—	682	—	682

The Group did not have any financial liabilities measured at fair value as at 31st December, 2023.

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 (2023: 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 2024	Range 2023
Significant unobservable inputs		
Capitalisation rate	3.00%	3.00%
Discount rate	6.00%	6.00%
Growth rate p.a. (Approximately)	2.7% to 15.8%	2.7% to 13.7%
Occupancy rate	96% to 98%	94%
Room rate per day (Approximately)	HK\$900 to HK\$1,600	HK\$900 to HK\$1,500
Gross operating profit (as a % of revenue) (Approximately)	52% to 56%	56% to 57%

(b) Investment properties

		Range 2024	Range 2023
Significant unobservable inputs	Asset Class		
Capitalisation rate	Hotel and commercial	2.5% to 3.25%	2.5% to 3.25%
Discount rate	Hotel and commercial	5.5% to 7.00%	5.5% to 7.00%
Growth rate p.a. (Approximately)	Hotel	2.7% to 22.4%	2.7% to 50.8%
Occupancy rate	Hotel	78% to 95%	65% to 95%
Room rate per day (Approximately)	Hotel	HK\$700 to HK\$2,300	HK\$700 to HK\$2,100
Gross operating profit (as a % of revenue) (Approximately)	Hotel	34% to 58%	22% to 57%
Estimated rental p.a. (Approximately)	Commercial	HK\$5,600,000 to HK\$7,300,000	HK\$7,100,000 to HK\$9,300,000

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\$85.6 million (2023: HK\$104.2 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\$8.6 million (2023: HK\$10.4 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 except for certain other receivables of HK\$3,721,000 (2023: Nil) which were classified within stage 2 for measurement of ECLs. For the remaining 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:

	2024			Total HK\$'000
	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	
Financial liabilities				
Accounts payable	43,818	1,121	—	44,939
Deposits received	—	2,282	633	2,915
Due to related companies	—	183,694	—	183,694
Other payables and accruals	—	61,585	—	61,585
Contract liabilities	—	482	—	482
Interest-bearing bank borrowings	—	1,568,169	10,134,913	11,703,082
Lease liabilities	—	999	—	999
	<u>43,818</u>	<u>1,818,332</u>	<u>10,135,546</u>	<u>11,997,696</u>
Derivative cash flows				
Derivative financial instruments settled on net basis	—	(5,692)	(9,550)	(15,242)
	<u>—</u>	<u>(5,692)</u>	<u>(9,550)</u>	<u>(15,242)</u>
	2023			Total HK\$'000
	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	
Financial liabilities				
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>

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 banking facilities ranged from 40.0% to 48.5% (2023: ranged from 39.4% to 48.7%), 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 43.0% (2023: 42.7%), being the gross amount of the outstanding loans aggregating HK\$10,412.0 million (2023: HK\$10,424.9 million), as compared to the total gross assets of Regal REIT of HK\$24,225.5 million (2023: HK\$24,392.3 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. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the consolidated financial statements, due to the adoption of the revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third consolidated statement of financial position as at 1 January 2023 has been presented.

32. 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 128, which comprise the consolidated statement of financial position as at 31st December, 2024, 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, 2024, 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, 2024, the Group's investment properties and property, plant and equipment were valued at approximately HK\$23.3 billion and HK\$0.7 billion, respectively, which made up, in aggregate, 98.8% 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, 2024. 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 HKSA's, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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

28th March, 2025

PERFORMANCE TABLE

As at 31st December, 2024

		Year ended Notes 31st December, 2024	Year ended 31st December, 2023	Year ended 31st December, 2022	Year ended 31st December, 2021	Year ended 31st December, 2020
Net assets attributable to Unitholders (HK\$'million)		12,907.5	13,073.9	12,807.9	12,146.9	11,930.9
Net asset value per Unit attributable to Unitholders (HK\$)		3.962	4.014	3.932	3.729	3.663
The highest traded price during the year (HK\$)	1	0.72	1.42	1.52	1.78	2.01
The lowest traded price during the year (HK\$)		0.405	0.54	0.86	1.28	1.11
The closing price on the last trading day during the year (HK\$)		0.47	0.61	1.40	1.43	1.37
The highest discount of the traded price to net asset value per Unit attributable to Unitholders		89.78%	86.55%	78.13%	65.67%	69.70%
Distribution yield per Unit	2	N/A	N/A	4.36%	6.01%	9.93%

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. 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, 2024 and 2023.

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 2024 to 31 December 2024.

DB Trustees (Hong Kong) Limited

(in its capacity as trustee of Regal REIT)

Hong Kong, 31 March 2025

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

27 February 2025

Dear Sir/Madam



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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").

1.0 Instructions

We received an instruction from Regal Portfolio Management Limited ("the Manager"), acting as the manager of Regal REIT, to value the Properties in which Regal REIT have interests in Hong Kong. We confirm that we have carried out external and internal inspection, made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties in existing state as at **31 December 2024** (the "Valuation Date") for **annual reporting** purposes.

We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.

2.0 Basis of Valuation

In arriving at our opinion of market value, we followed the current edition of "The HKIS Valuation Standards" issued by The Hong Kong Institute of Surveyors ("HKIS") and "The RICS Valuation – Global Standards" issued by The Royal Institution of Chartered Surveyors ("RICS"), which incorporate the International Valuation Standards (the "IVS"). Under the said standards, market value 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."

Market Value is also understood as the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in the current edition of "The HKIS Valuation Standards" issued by HKIS; "RICS Valuation – Global Standards" issued by RICS; Chapter 5 of "Rules Governing the Listing of Securities" issued by The Stock Exchange of Hong Kong Limited; and Chapter 6.8 of "Code on Real Estate Investment Trusts" issued by The Securities and Futures Commission in October 2024.

3.0 Valuation Methodology

Our valuation has been undertaken by using appropriate valuation methodology and our professional judgement.

As the Properties are enbloc income producing properties, we have adopted Income Approach – Discounted Cash Flow ("DCF") analysis as the principal valuation method and we have cross-checked the value by Market Approach.

Income Approach – DCF Analysis

Income Approach – DCF analysis is a financial modelling technique based on explicit assumptions regarding the prospective cash flow to operating real properties. This analysis involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the Properties. In the case of operating real properties, periodic cash flow is typically estimated as gross income less vacancy and 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 operating incomes, along with an estimate of the reversionary or terminal value, anticipated at the end of the projection period, is then discounted at the 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 undertaken the DCF analysis on a yearly basis over a 10-year investment horizon. The net income in the year 11 is capitalised at an appropriate yield. This analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of both income and capital growth over the investment horizon.

Market Approach

In adopting the Market Approach, we have made reference to the recent market sales evidence which is available in the market. Appropriate adjustments have been made in our valuation to reflect the differences in the characteristics between the Properties and the comparable properties such as location, size, age, condition, quality, view and other property characteristics in arriving at our opinion of the market value.

4.0 Valuers

The valuer, on behalf of Knight Frank, with the responsibility for this report is Stella Ho MHKIS MRICS MCIREA RICS Registered Valuer R.P.S. (GP). Parts of this valuation have been undertaken by additional valuers. We confirm that the valuers have sufficient knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Valuer's Interest

We hereby confirm that:

- We have no present or prospective interest in the Properties and we are independent of Regal REIT, 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.

5.0 Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions.

Title Documents and Encumbrances

We have taken reasonable care to investigate the title of the Properties by obtaining land search record from the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept a liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the Properties were free from encumbrances, restrictions, title defects and outgoing of an onerous nature that could affect its value, unless stated otherwise as at the Valuation Date.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale.

Source of Information

We have relied to a very considerable extent on information given by the Manager. We have accepted advice given to us on such matters as total number of guestrooms, tenancy schedules, historical profit and loss accounts of the Properties, a standard Tenancy Agreement and a Licence Agreement by the Manager, and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the Properties, whether in writing or verbally by the Manager, the Manager's representatives or by their legal or professional advisers or by any (or any apparent) occupier of the Properties or contained on the register of title. We assume that this information is complete and correct.

Inspection

We have carried out internal and external inspections of the Properties on 7 and 9 January 2025. We have assumed in our valuation that the Properties were in reasonable exterior and interior decorative order without any unauthorised extension or structural alterations as at the Valuation Date, unless otherwise stated.

Identity of the Properties to be valued

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Properties, identified by the property address in your instructions, are the properties inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the properties to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Property Insurance

We have valued the Properties on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

As instructed, we have relied upon areas as available from a quoted source. The floor areas quoted throughout the report are based on the information provided by the Manager. Otherwise, dimensions and areas would be measured from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and area quoted to a reasonable approximation, with reference to their source. We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. Where the age of the building is estimated, this is for guidance only.

Structural and Services Condition

We have carried out visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible areas. We are unable to confirm whether the Properties are free from urgent or significant defects or items of disrepair or any deleterious materials have been used in the construction of the Properties. Our valuation has therefore been undertaken on the basis that the Properties were in satisfactory repair and condition, contains no deleterious materials and it is sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Properties are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Tenancies

We are provided with the tenancy schedules and have assumed the information are true and correct. We have also assumed that the tenants will continue to occupy the premises and comply with the conditions of the tenancies until the expiry of the existing tenancy terms.

Compliance with Relevant Ordinances and Regulations

We have assumed the buildings are in line with all planning and building regulations and guidelines. In our valuation, we have disregarded the Notices currently registered against the Properties, if any, and the effects of the defects on the value and safety of the Properties. We have further assumed that, for any use of the Properties upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorization have been obtained, except only where otherwise stated.

Remarks

We have prepared the valuation based on the information and data available to us as at the Valuation Date. While the current market is influenced by various policies and regulations, increased global conflicts could add further fluctuations in real estate market. It must be recognised that enactment of emergency measures, changes in mortgage requirements or international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the Valuation Date may affect the value of the Properties.

Currency

Unless otherwise stated, all money amounts stated in this report are in Hong Kong Dollars (HK\$).

Others

- 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.

6.0 Summary of Values

We are of the opinion that the market values of the Properties in existing state as at the Valuation Date were as follows:

		Market value in existing state as at 31 December 2024 (HK\$)
Property		
1 Regal Airport Hotel		1,134,000,000
9 Cheong Tat Road		
Hong Kong International Airport		
Chek Lap Kok		
New Territories		
Hong Kong		
2 Regal Hongkong Hotel		4,356,000,000
88 Yee Wo Street		
Causeway Bay		
Hong Kong		
3 Regal Kowloon Hotel		6,012,000,000
71 Mody Road		
Tsim Sha Tsui		
Kowloon		
Hong Kong		
4 Regal Oriental Hotel		1,815,000,000
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		
5 Regal Riverside Hotel		5,181,000,000
34-36 Tai Chung Kiu Road		
Shatin		
New Territories		
Hong Kong		

		Market value in existing state as at 31 December 2024 (HK\$)
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	858,000,000
7	iclub Sheung Wan Hotel 138 Bonham Strand Sheung Wan Hong Kong	1,636,000,000
8	iclub Fortress Hill Hotel 18 Merlin Street North Point Hong Kong	1,579,000,000
9	iclub To Kwa Wan Hotel 8 Ha Heung Road Kowloon Hong Kong	1,372,000,000
Total:		23,943,000,000

Please refer to Section 7 below for property particulars of each of the Properties.

7.0 Valuation Particulars

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 located at 9 Cheong Tat Road, directly connected to Terminal 1 of the Hong Kong International Airport ("HKIA") via a covered walkway and in close proximity to AsiaWorld-Expo. The immediate locality consists of the airport's support facilities, parking areas, and passenger terminals.

RAH is a 14-storey, including a basement floor, High Tariff A hotel completed in 1999. It underwent an Asset Enhancement Programme, which was completed in October 2007, and now comprises 1,171 rooms and suites. Various restaurant, bank and offices are on the ground floor to second floor.

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 Area (sq m)	Capacity
				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	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 Venue	Area (sq m)	Maximum
					Seating Capacity No of seating
B/F	Pre-function Area and Meeting Rooms	Conference and Exhibition	13	815	783
1/F	Ballroom	Banquet/Convention	1	1,050	1,500
1/F	Multi-purpose Function Rooms	Meeting and Conference	7	572	403
2/F	Meeting Rooms	Meeting and Conference	3	100	38
9/F	Meeting Room	Meeting and Conference	4	234	136

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. The annual Government rent payable for the Lot is 3% of the rateable value.
Registered Owner	:	Airport Authority ¹

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.

Major Encumbrances

:

- Sub-Lease of Hotel in favour of Bauhinia Hotels Limited vide memorial no IS342341 dated 12 August 2004. The term of the Sub-Lease commenced 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 vide memorial no 06112400700018 dated 8 November 2006.
- Lease Agreement (No. 1 for Regal Airport Hotel) in favour of Favour Link International Limited vide memorial no 07041300910065 dated 16 March 2007 (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 vide memorial no 10052602510099 dated 12 February 2010 (Remarks: By Bauhinia Hotels Limited).
- G.N. 2762 dated 26.4.2012 under Roads (works, use and compensation) Ordinance (Chapter 370) vide memorial no 12051002590012 dated 26 April 2012 (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) vide memorial no 12051002590024 dated 26 April 2012 (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) vide memorial no 12051002590037 dated 26 April 2012 (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) vide memorial no 12051002590049 dated 26 April 2012 (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 vide memorial no 13102500820010 dated 10 October 2013 (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 vide memorial no 13120201030063 dated 19 November 2013 (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 vide memorial no 15042302380228 dated 12 March 2015 (Remarks: By Bauhinia Hotels Limited).
- Consent Letter with Plan vide memorial no 15112001200210 dated 6 November 2015 (Remarks: from District Lands Officer, Islands).
- Consent Letter with Plan vide memorial no 17022300740027 dated 13 February 2017 (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 vide memorial no 20041601820093 dated 20 December 2019.
- Particulars and Conditions of Extension of Lease Term vide memorial no 21092102780018 dated 31 August 2021 (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 Hang Seng Bank Limited Rights vide memorial no 21092902710345 dated 10 September 2021 (Remarks: by Bauhinia Hotels Limited).

3. Hotel Operation

Hotel Performance in 2024

Occupancy Rate : 61%

Average Room Rate : HK\$1,158

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 HK\$175,000,000 per annum out of a total Floor Rent of HK\$400,000,000 for all five Initial Hotels³.

According to the 2024 and 2025 Market Rental Package Determinations, Base Rent for RAH for the fiscal years of 2024 and 2025 are both HK\$175,000,000; 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. 21,799 sq ft (2,025 sq m)
Vacant Area (Lettable)	:	Approx. 16,231 sq ft (1,508 sq m)
Occupancy Rate	:	57.3%
Monthly Base Rent	:	HK\$1,308,333 (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 (sq ft)	% of Total	Monthly Rent (HK\$)	% of Total	No of Tenancy	% of Total
Year Ending 2024	5,699	26.1%	549,600	42.0%	4	36.4%
Year Ending 2026	7,764	35.6%	298,901	22.8%	3	27.3%
Year Ending 2027	8,336	38.2%	459,832	35.1%	4	36.4%
Total	21,799	100% (rounded)	1,308,333	100% (rounded)	11	100% (rounded)

Tenancy Duration Profile

Tenancy Duration	Lettable Area (sq ft)	% of Total	Monthly Rent (HK\$)	% of Total	No of Tenancy	% of Total
Up to 1 year	5,699	26.1%	549,600	42.0%	4	36.4%
More than 1 year and up to 2 years	1,921	8.8%	74,335	5.7%	1	9.1%
More than 2 years and up to 3 years	14,179	65.0%	684,398	52.3%	6	54.5%
Total	21,799	100% (rounded)	1,308,333	100% (rounded)	11	100% (rounded)

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

Latest Expiry Date	:	13 September 2027
Range of Rent-free Period	:	0 to 12 months
Option to Renew	:	N/A
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	:	HK\$212,520 per month
Latest Expiry Date	:	14 February 2025

5. Estimated Net Property Yield⁸

15.4%

6. Market Value in existing state as at 31 December 2024

HK\$1,134,000,000 (Hong Kong Dollars One Billion One Hundred and Thirty-Four 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 2024 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 located at 88 Yee Wo Street in Causeway Bay, one of Hong Kong's shopping and entertainment districts. The immediate locality consists of major retail centres and office buildings. The area is well-connected by public transport, with convenient access to the MTR, buses, and trams.

RHK is a 38-storey, including four basement floors, High Tariff A hotel completed in 1993. It comprises 481 rooms and suites, the majority of which offer views of Victoria Park. RHK also occupies portions of the ground floor to the 3rd Floor of 68 Yee Wo Street, which are spaces ancillary to hotel use.⁹

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 HK\$453,871 with expiration on 1 March 2025. The second tenancy is related to Shops Nos 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 HK\$92,346.

¹⁰ Area excludes the rented space.

¹¹ Area excludes the rented space.

Food and Beverage Outlets

Floor	Name of Outlet	Type of Facility	Seating Area (sq m)	Capacity
				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 Venue	Area (sq m)	Maximum
					Seating Capacity No of seating
2/B	Multi-purpose Function Rooms	Banquet/Convention	5	343	260
1/B	Ballroom	Banquet/Convention	1	239	239
1/B	Multi-purpose Function Rooms	Banquet/Convention	3	194	180
3/F	Meeting Rooms	Banquet/Convention	6	336	273

Other Facilities

Other facilities include a gymnasium and an outdoor swimming pool.

2. Ownership and Tenure

Lot Numbers	:	Sections C, D, E, F, G, H, I, J, L, M and the Remaining Portion of Inland Lot No 1408
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 vide memorial no UB5287070 dated 13 May 1992. Deed of Covenant and Grant of Right of Way and Easements and Management Agreement vide memorial no UB5287071 dated 13 May 1992. Statutory Declaration as to Loss of Title Deeds vide memorial no UB8033163 dated 21 March 2000. Lease Agreement (No. 2 for Regal Hongkong Hotel) in favour of Favour Link International Limited vide memorial no 07041300910073 dated 16 March 2007.

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

3. Hotel Operation

Hotel Performance in 2024

Occupancy Rate : 72%

Average Room Rate : HK\$1,011

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 HK\$60,000,000 per annum out of a total Floor Rent of HK\$400,000,000 for all five Initial Hotels¹³.

According to the 2024 and 2025 Market Rental Package Determinations, Base Rent for RHK for the fiscal years of 2024 and 2025 are HK\$90,000,000 and HK\$92,000,000 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	:	HK\$150,300 per month
Latest Expiry Date	:	30 April 2026

5. Estimated Net Property Yield¹⁶

2.1%

6. Market Value in existing state as at 31 December 2024

HK\$4,356,000,000 (Hong Kong Dollars Four Billion Three Hundred and Fifty-Six 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 2024 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 located at 71 Mody Road in Tsim Sha Tsui, a well-known area in Hong Kong featuring a mix of shopping, dining and cultural attractions. The immediate locality consists of major shopping centres, office buildings, hotels and landmarks such as Avenue of Stars, Hong Kong Museum of History and Hong Kong Science Museum. The area is well-connected by public transport, with convenient access to the MTR, buses, and trams.

RKH is a 20-storey, including four basement floors, High Tariff A hotel completed in 1982. It comprises 600 rooms, the majority of which offer open view of Centenary Garden. The retail shops and restaurants are located on the 1st to 3rd Basement Floors and the Ground to 2nd Floors.

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 Area (sq m)	Capacity
				No of normal dining seating
1/B	Café Allegro	International 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 Venue	Area (sq m)	Maximum
					Seating Capacity No of seating
2/F	Multi-purpose Function Rooms	Banquet/Convention	6	331	260
3/F	Ballroom	Banquet/Convention	1	353	360
3/F	Multi-purpose Function Rooms	Banquet/Convention	6	665	360

Other Facilities

Other facilities include a fitness room and a shopping arcade.

2. Ownership and Tenure

Lot Number	:	Kowloon Inland Lot No 10474
Lease Terms	:	The Kowloon Inland Lot No 10474 is held 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
Major Encumbrances	:	<ul style="list-style-type: none"> Letter of Compliance from District Lands Office Kowloon West Kowloon Government Offices to Paliburg Project Management Limited vide memorial no UB3990407 dated 6 July 1982. Statutory Declaration as to Loss of Title Deeds vide memorial no UB8033162 dated 21 March 2000. Lease Agreement (No. 3 for Regal Kowloon Hotel) in favour of Favour Link International Limited vide memorial no 07041300910082 dated 16 March 2007 (Remarks: For the period commencing from 30 March 2007 to 31 December 2015).

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

- First Supplemental Agreement amending Lease Agreement No. 3 for Regal Kowloon Hotel in favour of Favour Link International Limited vide memorial no 10052602510128 dated 12 February 2010.
- Second Supplemental Deed amending Lease Agreement No. 3 for Regal Kowloon Hotel in favour of Favour Link International Limited vide memorial no 15042302380241 dated 12 March 2015.
- Third Supplemental Deed amending Lease Agreement No.3 for Regal Kowloon Hotel in favour of Favour Link International Limited vide memorial no 20041601820111 dated 20 December 2019.
- Debenture and Mortgage in favour of Industrial and Commercial Bank of China (Asia) Limited vide memorial no 22070702330270 dated 30 June 2022.
- Assignment of Rentals and Receivables in favour of Industrial and Commercial Bank of China (Asia) Limited vide memorial no 22070702330282 dated 30 June 2022.

3. Hotel Operation

Hotel Performance in 2024

Occupancy Rate : 78%

Average Room Rate : HK\$967

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 HK\$65,000,000 per annum out of a total Floor Rent of HK\$400,000,000 for all five Initial Hotels¹⁹.

According to the 2024 and 2025 Market Rental Package Determinations, Base Rent for RKH for the fiscal years of 2024 and 2025 are HK\$116,000,000 and HK\$118,000,000 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 Revenue ²⁰ (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 ²¹ 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. 43,147 sq ft (4,008 sq m)
Occupied Area (Lettable)	:	Approx. 22,038 sq ft (2,047 sq m)
Vacant Area (Lettable)	:	Approx. 21,109 sq ft (1,961 sq m)
Occupancy Rate	:	51.1%
Monthly Base Rent	:	HK\$929,493 (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 (sq ft)	% of Total	Monthly Rent (HK\$)	% of Total	No of Tenancy	% of Total
Year Ending 2024	242	1.1%	9,000	1.0%	1	10.0%
Year Ending 2025	943	4.3%	92,975	10.0%	2	20.0%
Year Ending 2026	19,535	88.6%	777,843	83.7%	6	60.0%
Year Ending 2027	1,318	6.0%	49,675	5.3%	1	10.0%
Total	22,038	100% (rounded)	929,493	100% (rounded)	10	100% (rounded)

Tenancy Duration Profile

Tenancy Duration	Lettable Area (sq ft)	% of Total	Monthly Rent (HK\$)	% of Total	No of Tenancy	% of Total
Up to 1 year	941	4.3%	67,435	7.3%	2	20.0%
More than 1 year and up to 2 years	244	1.1%	34,540	3.7%	1	10.0%
More than 2 years and up to 3 years	20,681	93.8%	824,018	88.7%	6	60.0%
More than 3 years and up to 4 years	172	0.8%	3,500	0.4%	1	10.0%
Total	22,038	100% (rounded)	929,493	100% (rounded)	10	100% (rounded)

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

Latest Expiry Date : 31 December 2027

Range of Rent-free Period : 0 to 4 months

Summary of Terms : The Landlord²³ 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 : HK\$99,160 per month

Latest Expiry Date : 30 November 2026

5. Estimated Net Property Yield²⁴

1.9%

6. Market Value in existing state as at 31 December 2024

HK\$6,012,000,000 (Hong Kong Dollars Six Billion and Twelve 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 2024 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 located at 30-38 Sa Po Road in Kowloon City, facing the old Kai Tak Airport, which was once Hong Kong's main aviation hub. The immediate locality features a mix of cultural heritage and community spaces in Kowloon City, along with new commercial or residential developments in Kai Tak.

ROH is a 17-storey, including two basement floors, High Tariff B hotel completed in 1982. After the Asset Enhancement Programme in 2007 and the conversion projects in 2013, it now comprises 494 rooms and suites. ROH also consists of nine shop units on the ground floor, three of which have cocklofts, as well as the 1st Floor of an adjacent 14-storey building ("Po Sing Court") which was completed in 1967. The 1st Floor of Po Sing Court is designated for back-of-house uses.

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 Area (sq m)	Capacity
				No of normal dining seating
G/F	The China Coast Pub + Restaurant ²⁵	Pub & Restaurant	155	72

Meeting and Banquet Facilities

Floor	Name of Function Room	Type of Facility	No of Venue	Area (sq m)	Maximum
					Seating Capacity No of seating
1/F	Ballroom	Banquet/Convention	1	345	300
1/F	Multi-purpose Function Rooms	Banquet/Convention	7	302	294

Other Facilities

Other facilities include a fitness room and retail spaces.

2. Ownership and Tenure

Lot Numbers	:	New Kowloon Inland Lot No 5754 and New Kowloon Inland Lot No 4917
Lease Terms	:	<p>New Kowloon Inland Lot No 5754 is held 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 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 vide memorial no UB2111189 dated 23 June 1981.
- Modification Letter vide memorial no UB2144106 dated 26 August 1981.
- Letter of Compliance from District Lands Office Kowloon West to Paliburg Project Management Limited vide memorial no UB3990406 dated 27 July 1982.
- Statutory Declaration as to Loss of Title Deeds vide memorial no UB8033164 dated 21 March 2000.
- Lease Agreement (No. 4 for Regal Oriental Hotel) in favour of Favour Link International Limited vide memorial no 07041300910095 dated 16 March 2007 (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 vide memorial no 10052602510111 dated 12 February 2010.
- Second Supplemental Deed amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited vide memorial no 15042302380254 dated 12 March 2015.
- Third Supplemental Deed amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited vide memorial no 20041601820121 dated 20 December 2019.
- Gala Debenture in favour of Hang Seng Bank Limited vide memorial no 21092902710383 dated 10 September 2021.

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) registered vide memorial no UB604982 dated 28 November 1967.
- Deed of Mutual Covenant vide memorial no UB607737 dated 12 December 1967.
- Lease Agreement (No. 4 for Regal Oriental Hotel) in favour of Favour Link International Limited vide memorial no 07041300910095 dated 16 March 2007 (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 vide memorial no 10052602510111 dated 12 February 2010.
- Second Supplemental Deed amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited vide memorial no 15042302380254 dated 12 March 2015.
- Order No. "UBCSN/05-29/0001/12" under S.24(1) of the Buildings Ordinance with plans vide memorial no 17041302060283 dated 14 December 2016 (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 vide memorial no 20041601820121 Limited dated 20 December 2019.
- Order No. "D00133/K/20/TE" by the Building Authority under Section 26 of the Buildings Ordinance vide memorial no 20100702240477 dated 3 September 2020 (Remarks: for common areas (including common staircase) of the building).
- Gala Debenture in favour of Hang Seng Bank Limited vide memorial no 21092902710383 dated 10 September 2021.
- Order No. "DR00792/K/22" by the Building Authority under S.28(3) of the Buildings Ordinance vide memorial no 22121401110015 dated 7 October 2022 (Remarks: for common part(s) only).
- Order No. "CCSN/TC/017984/12/K" under S.24(1) of the Buildings Ordinance with Plans vide memorial no 23122900650075 dated 24 October 2023 (Remarks: by the Building Authority for common part(s) only).

3. Hotel Operation

Hotel Performance in 2024

Occupancy Rate : 76%

Average Room Rate : HK\$568

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 HK\$30,000,000 per annum out of a total Floor Rent of HK\$400,000,000 for all five Initial Hotels²⁷.

According to the 2024 and 2025 Market Rental Package Determinations, Base Rent for ROH for the fiscal years of 2024 and 2025 are both HK\$37,000,000; 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 (595 sq m)
Occupancy Rate	:	ROH – 0% Po Sing Court – 31.3%
Monthly Base Rent	:	ROH - HK\$0 Po Sing Court - HK\$88,000 (All tenancies are exclusive of rates, management fees and air-conditioning charges)

Po Sing Court

Tenancy Expiry Profile

Year	Lettable Area (sq ft)	% of Total	Monthly Rent (HK\$)	% of Total	No of Tenancy	% of Total
Year Ending 2025	1,407	48.1%	18,000	20.5%	1	50%
Year Ending 2027	1,520	51.9%	70,000	79.5%	1	50%
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 Tenancy	% of Total
	(sq ft)	% of Total	(HK\$)	% 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 : 12 April 2027

Range of Rent-free Period : 0 to 2 months

Option to Renew : N/A

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 : HK\$69,365 per month

Latest Expiry Date : 31 December 2026

5. Estimated Net Property Yield³²

2.0%

6. Market Value in existing state as at 31 December 2024

HK\$1,815,000,000 (Hong Kong Dollars One Billion Eight Hundred and Fifteen 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 2024 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 located at 34-36 Tai Chung Kiu Road in Shatin, a well-developed district in the New Territories of Hong Kong. The immediate locality features a mix of residential neighborhoods, recreational facilities, and shopping centres such as New Town Plaza. With easy access to public transport, including the MTR, buses, and taxis, RRH offers convenient connectivity to other districts in Hong Kong.

RRH is a 20-storey, including two basement floors, High Tariff B hotel completed in 1986. Following renovation works in 2020, it now comprises 1,147 guestrooms, some of which offer open view of 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 Approved Sha Tin Outline Zoning Plan No S/ST/38 dated 7 June 2024.

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 Area (sq m)	Capacity
				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 ³⁶	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 Venue	Area (sq m)	Maximum Seating Capacity
					No of seating
1/F	Ballroom	Banquet/Convention	1	549	456
1/F	Multi-purpose Function Rooms	Banquet/Convention	2	115	72
1/F	Forum	Meeting and Convention	1	518	500
2/F	Multi-purpose Function Rooms	Banquet/Convention	5	390	264
3/F	Multi-purpose Function Rooms	Banquet/Convention	1	416	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.

³⁶ Only open for private events upon request.

2. Ownership and Tenure

Lot Number	:	Sha Tin Town Lot No 160
Lease Terms	:	Sha Tin Town Lot No 160 is held 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 vide memorial no ST211142 dated 1 June 1982. • Modification Letter vide memorial no ST353344 dated 28 August 1986. • Letter of Compliance vide memorial no ST430228 dated 18 July 1986. • Statutory Declaration as to Loss of Title Deeds vide memorial no ST1145794 dated 21 March 2000. • Lease Agreement (No. 5 for Regal Riverside Hotel) in favour of Favour Link International Limited registered vide memorial no 07041300910108 dated 16 March 2007 (Remarks: For the period commencing from 30 March 2007 to 31 December 2015). • Modification Letter vide memorial no 07111601000553 dated 14 November 2007. • First Supplemental Agreement amending Lease Agreement No. 5 for Regal Riverside Hotel in favour of Favour Link International Limited vide memorial no 10052602510131 dated 12 February 2010. • Second Supplemental Deed amending Lease Agreement No. 5 for Regal Riverside Hotel in favour of Favour Link International Limited vide memorial no 15042302380265 dated 12 March 2015. • Third Supplemental Deed amending Lease Agreement No.5 for Regal Riverside Hotel vide memorial no 20041601820134 dated 20 December 2019. • Regal Riverside Debenture in favour of Hang Seng Bank Limited vide memorial no 21092902710405 dated 10 September 2021.

3. Hotel Operation

Hotel Performance in 2024

Occupancy Rate : 75%

Average Room Rate : HK\$648

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 Rent³⁷ to be determined (the "Market Rental Package Determination") in accordance with the Lease Agreement, subject to a Floor Rent of HK\$70,000,000 per annum out of a total Floor Rent of HK\$400,000,000 for all five Initial Hotels³⁸.

According to the 2024 and 2025 Market Rental Package Determinations, Base Rent for RRH for the fiscal years of 2024 and 2025 are HK\$126,000,000 and HK\$128,000,000 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 Revenue³⁹ (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 GOP⁴⁰ 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)

³⁷ 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.

³⁸ Namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel.

³⁹ According to the Hotel Management Agreement, "Gross Revenue" means all revenue derived from the Hotel.

⁴⁰ According to the Hotel Management Agreement, "Adjusted GOP" means the aggregate of Gross Operating Profit and Net Rental Income.

4. Retail Tenancy/Licence Schedules

Retail⁴¹

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	:	HK\$221,737 (All tenancies are exclusive of rates, management fees and air-conditioning charges)

Tenancy Expiry Profile

Year	Lettable Area (sq ft)	% of Total	Monthly Rent (HK\$)	% of Total	No of Tenancy	% of Total
Year Ending 2027	4,719	100%	221,737	100%	2	100%
Total	4,719	100%	221,737	100%	2	100%

Tenancy Duration Profile

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

⁴¹ The areas quoted exclude spaces which are used by RRH.

Latest Expiry Date	:	14 November 2027
Range of Rent-free Period	:	2.5 to 9.5 months
Option to Renew	:	N/A
Summary of Terms	:	The Landlord ⁴² 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	:	5
Monthly Licence Fee	:	HK\$184,800 per month
Latest Expiry Date	:	31 March 2026

5. Estimated Net Property Yield⁴³

2.4%

6. Market Value in existing state as at 31 December 2024

HK\$5,181,000,000 (Hong Kong Dollars Five Billion One Hundred and Eighty-One Million)

⁴² All tenancy agreements/licences are entered into by Favour Link International Ltd as Landlord.

⁴³ The Estimated Net Property Yield of RRH is derived from the rent receivable in 2024 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") is located at 211 Johnston Road in Wan Chai, Hong Kong. The immediate locality comprises a mix of office and residential developments, with cultural landmarks like the Wan Chai Heritage Trail also in close proximity. The area is well-connected by public transportation, with the MTR Wan Chai station only a few minutes away.

ICWC is located in a 26-storey composite building completed in 1997. ICWC comprises Shops A, B and C on the ground floor, 22 upper floors (from the 5th to 29th Floors, with the 13th, 14th, and 24th floors omitted), a flat roof on the third floor, the eastern and western elevations of external walls and architectural feature at the roof top and the upper roof. ICWC underwent an Asset Enhancement Programme in 2009, followed by a conversion project in 2010, and is now a High Tariff B hotel comprising 99 guestrooms and suites.

The hotel portion of ICWC consists of Shop C on ground floor, which is currently used as hotel lobby, and 5th to 26th floors. Shops A and B on ground floor and the entire 27th to 29th floors are leased for retail/restaurant/bar 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

Lot Numbers	:	Sub-section 1 and The Remaining Portion of Section F of Inland Lot No 2769; and Sub-section 1 and The Remaining Portion of Section G of Inland Lot No 2769
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 vide memorial no UB6186840 dated 22 November 1994.• Statutory Declaration of Liu Yee Man John vide memorial no UB7020522 dated 17 April 1997.• Occupation Permit No. H73/97 vide memorial no UB7355437 dated 20 November 1997.• Deed of Mutual Covenant and Management Agreement in favour of Paliburg Estate Management Limited vide memorial no UB7376631 dated 28 November 1997.• Supplemental Deed of Mutual Covenant and Management Agreement in favour of Paliburg Estate Management Limited vide memorial no 09103001380118 dated 19 October 2009.• Debenture and Mortgage in favour of Chong Hing Bank Limited vide memorial no 24072402040193 dated 19 July 2024.• Assignment of Rentals and Receivables (Incorporating charges over accounts) vide memorial no 24072402040206 dated 19 July 2024.

3. Hotel Operation

Hotel Performance in 2024

Occupancy Rate	:	95%
Average Room Rate	:	HK\$849

Hotel Management Agreement ("HMA")

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	From the Effective Date ⁴⁴ , 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 ⁴⁵
Incentive Fee	:	Five percent (5%) of the excess of the GOP ⁴⁶ over the Base Fee and the Fixed Charges.

4. Retail Tenancy/Licence Schedules

Retail⁴⁷

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	:	HK\$130,000 (The base rent is exclusive of rates, government rent, management fees and air-conditioning charges and outgoings)

⁴⁴ According to the Hotel Management Agreement, "Effective Date" means 1 January 2021.

⁴⁵ According to the Hotel Management Agreement, "Gross Revenue" means all revenue derived from the Hotel.

⁴⁶ According to the Hotel Management Agreement, "Gross Operating Profit" means Total Hotel Revenue less Hotel Operating Expenses during the same period.

⁴⁷ The areas quoted exclude spaces which are used by ICWC.

Tenancy Expiry Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rent (HK\$)	% of Total	No of 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 (sq ft)	% of Total	Monthly Rent (HK\$)	% of Total	No of 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 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. 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 : HK\$446,921 (All tenancies are inclusive of air-conditioning charges and management fees but exclusive of rates)

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

Tenancy Expiry Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rent (HK\$)	% of Total	No of 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 (sq ft)	% of Total	Monthly Rent (HK\$)	% of Total	No of 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 Landlord⁴⁹ 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 Yield⁵⁰

2.4%

6. Market Value in existing state as at 31 December 2024

HK\$858,000,000 (Hong Kong Dollars Eight Hundred and Fifty-Eight Million)

⁴⁹ All tenancy agreements are entered into by Sonnix Limited as Landlord.

⁵⁰ The Estimated Net Property Yield of ICWC is derived from the net income receivable in 2024 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 located at 138 Bonham Strand in Sheung Wan, a well-established commercial and residential district on Hong Kong Island. The area is known for its blend of modern office buildings, and cultural landmarks such as Man Mo Temple and the historic Western Market. With easy access to public transport, including the MTR, buses, and taxis, ICSW offers convenient connectivity to other districts in Hong Kong.

ICSW is a 34-storey hotel completed in 2014 with 248 rooms and suites, some of which on the higher floors offer sea view of Victoria Harbour.

Site Area⁵¹	:	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.

⁵¹ 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.

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

Other Facilities

Other facilities include a club lounge and a gymnasium.

2. Ownership and Tenure

Lot Numbers	:	<p>Section C of Marine Lot No 67A</p> <p>Section A of Sub-section 1 of Section A of Marine Lot No 67</p> <p>The Remaining Portion of Sub-section 1 of Section A of Marine Lot No 67</p> <p>Section A of Sub-section 1 of Section B of Marine Lot No 67</p> <p>The Remaining Portion of Sub-section 1 of Section B of Marine Lot No 67</p> <p>Sub-section 2 of Section B of Marine Lot No 67</p> <p>The Remaining Portion of Section B of Marine Lot No 67</p> <p>Sub-section 1 of Section C of Marine Lot No 67</p> <p>The Remaining Portion of Section C of Marine Lot No 67</p> <p>Section G of Inland Lot No 66 and</p> <p>The Remaining Portion of Inland Lot No 66</p>
Lease Terms	:	<p>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;</p> <p>Inland Lot No 66 is held under a Government Lease for a term of 999 years commencing from 26 March 1868.</p>
Registered Owner	:	Tristan Limited

Major Encumbrances

:

- Government Notice No. 2710 of 21 July 1995 pursuant to Section 22(1) the Crown Rent and Premium (Apportionment) Ordinance (Cap. 125) vide memorial no UB6352712 dated 21 July 1995 (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) vide memorial no 11030101830019 dated 18 February 2011 (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 vide memorial no 11082501800017 dated 15 August 2011 (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) vide memorial no 11111702560010 dated 11 November 2011 (For Section C of Marine Lot No. 67A only).
- Offensive Trade Licence by District Lands Officer, Hong Kong West & South vide memorial no 12022300500014 dated 12 December 2011 (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)) vide memorial no 18112102410465 dated 6 January 2014.
- Lease Agreement in favour of Favour Link International Limited vide memorial no 19121001910020 dated 18 November 2019 (Note: For the period commencing from 1 January 2020 to 31 December 2024).
- Debenture and Mortgage in favour of United Overseas Bank Limited vide memorial no 23102702090129 dated 19 October 2023.
- Supplemental Deed Amending Lease Agreement in favour of Favour Link International Limited vide memorial no 24020601650056 dated 11 January 2024.

3. Hotel Operation

Hotel Performance in 2024

Occupancy Rate : 86%

Average Room Rate : HK\$863

Lease Agreement

Lessor : Tristan Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from the Effective Date⁵² and expiring on 31 December 2024, and will be further extended to 31 December 2034⁵³.

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 HK\$1,580 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 2024 and 2025 Market Rental Package Determinations, Base Rent for ICSW for the lease year of 2024 and 2025 are HK\$42,000,000 and HK\$44,000,000 respectively; and the Variable Rent is 50% of the excess of the NPI.

⁵² According to the Lease Agreement, "Effective Date" means 10 February 2014.

⁵³ 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 ⁵⁴ , 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 ⁵⁵ .
Base Fee	:	One percent (1%) of Gross Revenue ⁵⁶ (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 ⁵⁷ 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	:	HK\$60,000
Latest Expiry Date	:	31 December 2026

5. Estimated Net Property Yield⁵⁸

2.6%

6. Market Value in existing state as at 31 December 2024

HK\$1,636,000,000 (Hong Kong Dollars One Billion Six Hundred and Thirty-Six Million)

⁵⁴ According to the Hotel Management Agreement, “Effective Date” means 10 February 2014.

⁵⁵ According to the Extended Hotel Management Agreement, the extended HMA period is from the expiry of the current term to 31 December 2034.

⁵⁶ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

⁵⁷ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

⁵⁸ The Estimated Net Property Yield of ICSW is derived from the rent receivable in 2024 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 located at 18 Merlin Street in North Point, a well-connected district on Hong Kong Island. The immediate locality consists of a mix of commercial and residential buildings, with a variety of local eateries and shops. Located near the MTR Fortress Hill station, the area offers convenient access to other districts in Hong Kong.

ICFH is a 32-storey hotel completed in 2014 and it comprises 338 guestrooms.

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 Approved North Point Outline Zoning Plan No S/H8/28 dated 19 April 2024.

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

Lot Numbers	:	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
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.Supplemental Deed Amending Lease Agreement in favour of Favour Link International Limited vide memorial no 24020601650061 dated 11 January 2024.

3. Hotel Operation

Hotel Performance in 2024

Occupancy Rate	:	88%
Average Room Rate	:	HK\$574
Lease Agreement		
Lessor	:	Wise Decade Investments Limited
Lessee	:	Favour Link International Limited

Term of Lease Agreement : Commencing from the Effective Date⁵⁹ and expiring on 31 December 2024, and will be further extended to 31 December 2034⁶⁰.

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 HK\$1,650 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.

According to the 2024 and 2025 Market Rental Package Determinations, Base Rent for ICFH for the lease years of 2024 and 2025 are HK\$40,000,000 and HK\$42,000,000 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 Date⁶¹, 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 2034⁶².

Base Fee : One percent (1%) of Gross Revenue⁶³ (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 GOP⁶⁴ 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)

⁵⁹ According to the Lease Agreement, “Effective Date” means 28 July 2014.

⁶⁰ According to the Extended Lease Agreement, the extended lease period will commence from 1 January 2025 to 31 December 2034.

⁶¹ According to the Hotel Management Agreement, “Effective Date” means 28 July 2014.

⁶² According to the Extended Hotel Management Agreement, the extended HMA period is from the expiry of the current term to 31 December 2034.

⁶³ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

⁶⁴ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

4. Licence Schedules

Licences for Mobile Radio Equipment, Integrated Radio Systems and Others

Number of Licences	:	1
Monthly Licence Fee	:	HK\$60,000
Latest Expiry Date	:	31 December 2026

5. Estimated Net Property Yield⁶⁵

2.5%

6. Market Value in existing state as at 31 December 2024

HK\$1,579,000,000 (Hong Kong Dollars One Billion Five Hundred and Seventy-Nine Million)

⁶⁵ The Estimated Net Property Yield of ICFH is derived from the rent receivable in 2024 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 located at 8 Ha Heung Road in To Kwa Wan, a well-established residential area. The immediate locality is predominately low- to mid-rise residential developments. Located near the MTR To Kwa Wan station, the area offers convenient access to other districts in Hong Kong.

ICTKW is a 22-storey building, including one basement floor, completed in 2017. It comprises 340 guestrooms situated from the 5th to 23rd floors. Parking spaces are provided on the basement and ground floor.

Site Area	:	700 sq m
Gross Floor Area⁶⁶	:	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	63	iPlus Premier Family	18
iSelect Premier	57	iBusiness Deluxe Family	9
iSelect Premier Family	12	iBusiness Premier	64
iPlus	77	iBusiness Premier Family	20
iPlus 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.

⁶⁶ The Gross Floor Area excludes 158.11 sq m lift exempted area.

2. Ownership and Tenure

Lot Numbers	:	Section C of Kowloon Inland Lot No 4148
Lease Terms	:	Section C of Kowloon Inland Lot No 4148 is held under 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. The annual Government rent payable for the Property is 3% of the rateable value.
Registered Owner	:	Land Crown International Limited
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 2024

Occupancy Rate	:	79%
Average Room Rate	:	HK\$572

Lease Agreement

Lessor	:	Land Crown International Limited
Lessee	:	Favour Link International Limited
Term of Lease Agreement	:	Commencing from the Effective Date ⁶⁷ 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 HK\$1,360 million.

⁶⁷ 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 2024 and 2025 Market Rental Package Determinations, Base Rent for ICTKW for the 2024 and 2025 are HK\$36,000,000 and HK\$37,000,000 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 ⁶⁸ , 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 ⁶⁹ (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 ⁷⁰ 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 Yield⁷¹

2.6%

5. Market Value in existing state as at 31 December 2024

HKD1,372,000,000 (Hong Kong Dollars One Billion Three Hundred and Seventy-Two Million)

⁶⁸ According to the Hotel Management Agreement, "Effective Date" means 4 September 2017.

⁶⁹ According to the Hotel Management Agreement, "Gross Revenue" means all revenue derived from the Hotel.

⁷⁰ According to the Hotel Management Agreement, "Adjusted GOP" means the aggregate of Gross Operating Profit and Net Rental Income.

⁷¹ The Estimated Net Property Yield of ICTKW is derived from the rent receivable in 2024 divided by the Market Value.

Hotel Market Overview

Overview

After enjoying a year of recovery in 2023, hotels in Hong Kong saw a mixed performance in 2024. Occupancy continued to rise in 2024, while average daily rates (“ADR”) witnessed a mild correction in the same period amid soft visitor spending.

Looking ahead, given the gradual recovery in visitor numbers and limited new hotel supply, we expect the hotel industry to remain firm in the short-term. Meanwhile, Hong Kong’s well-established role as an international financial centre in the Asia-Pacific region and its improving tourism infrastructures will continue to generate a steady stream of business and leisure travellers.

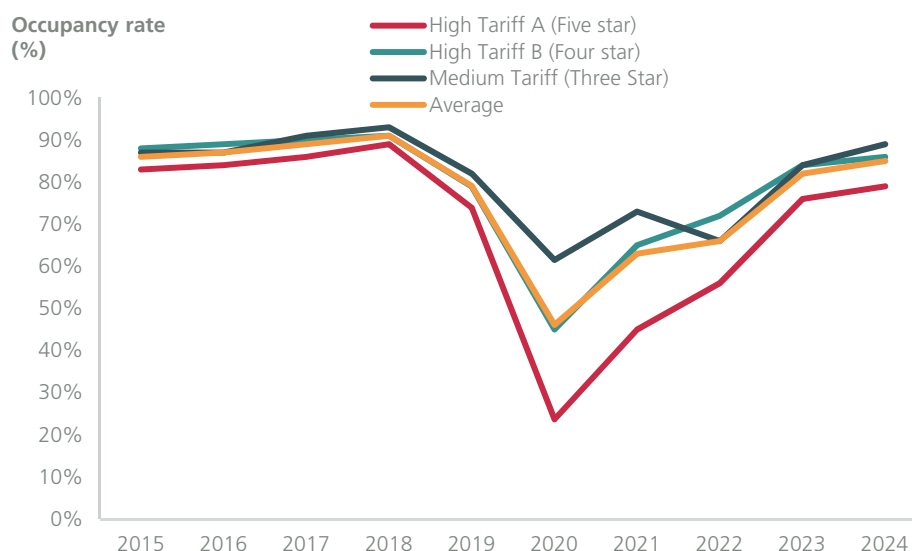
Occupancy

Hong Kong’s hotel industry has mostly been enjoying high occupancy rates over the past decade. However, as the number of overnight visitor arrivals dropped since the second half of 2019, the annual average occupancy rate of hotels decreased, from 91% in 2018 to 79% in 2019. Due to global travel restrictions, overall average occupancy in the city slumped further to 46% in 2020.

Domestic demand for “staycation” and inbound quarantine demand supported the hotel industry during 2021 and 2022, which facilitated the improvement of average hotel occupancy rate to about 66% in 2022.

A recovery in inbound tourism had boosted occupancy in post-Covid era. As of December 2024, three-star hotels saw the highest average occupancy rate at about 89%, followed by four-star hotels hovering around 86%. Meanwhile, performance of five-star hotels in the city recorded an average of 79%.⁷²

Hotel occupancy by star-rating



Source: Hong Kong Tourism Board / Knight Frank

⁷² Source: “Hotel Room Occupancy Report – Dec 2018, Dec 2019, Dec 2020, Dec 2022, Dec 2024”, HKTb, partnernet.hktb.com/

ADR Trend

Over the past 10 years, ADR have generally remained steady. ADR of the overall market grew from HK\$1,023 per night in 2009 to HK\$1,375 in 2018, representing a CAGR of 3%.

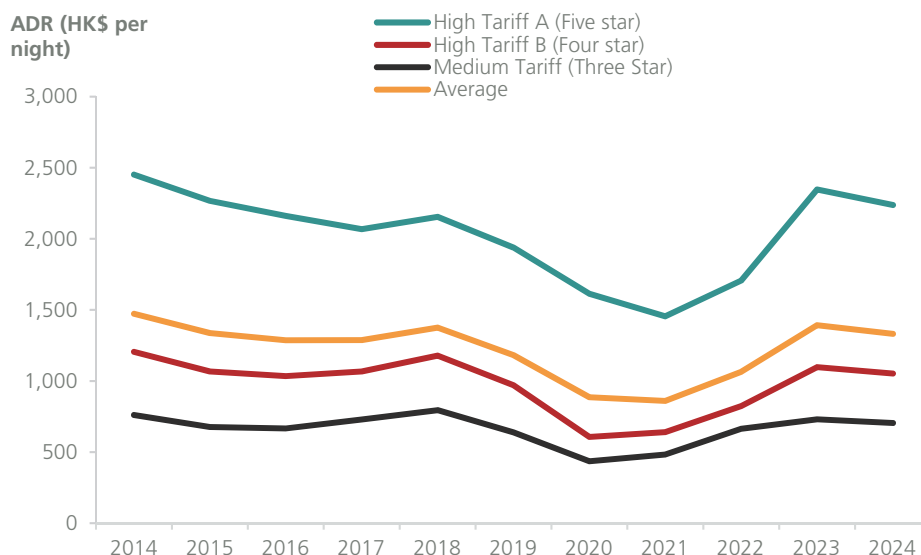
Dragged by a frozen tourism market, the overall ADR of hotels in Hong Kong saw decrease of 12.4% YoY in 2019 under the effect of social unrest. A further decline of 26.5% YoY was recorded in 2020 as the city was impacted by the COVID-19 crisis reaching overall ADR of HK\$887.

ADR saw a recovery in post-Covid era. Average hotel ADR edged up to about HK\$1,392 in 2023, but dropped slightly to about HK\$1,332 in 2024 amid soft visitors spending.

ADR by Category

As of December 2024, five-star/High-Tariff A hotels recorded an ADR of HK\$2,238, about two times the ADR of four-star hotels at HK\$1,052, while three-star hotels recorded an ADR of HK\$705.⁷³

Hong Kong hotel ADR



Source: Hong Kong Tourism Board / Knight Frank

Supply Trends

Supply in 2021 dropped to a five-year-low at about 1,900 rooms. Clouded by COVID-19 restrictions on the tourism industry, only two new five-star hotels opened in 2021: The Arca in Wong Chuk Hang, Southern District, with 187 rooms, and the WM hotel in Sai Kung, with 260 rooms.

A rebound in hotel supply was witnessed in the post-COVID period. According to Hong Kong Tourism Board, hotel supply increased by 904 rooms in 2023, and set to increase by 2,813 rooms in 2024.⁷⁴

⁷³ Source: "Hotel Room Occupancy Report – Dec 2009, Dec 2019, Dec 2020, Dec 2023, Dec 2024", HKTb, partnernet.hktb.com/

⁷⁴ Source: "Hotel Supply Situation Report as at December 2021, December 2023, September 2024", HKTb, partnernet.hktb.com/

List of hotels opened/obtained hotel licenses in Q1-Q3 2024⁷⁵

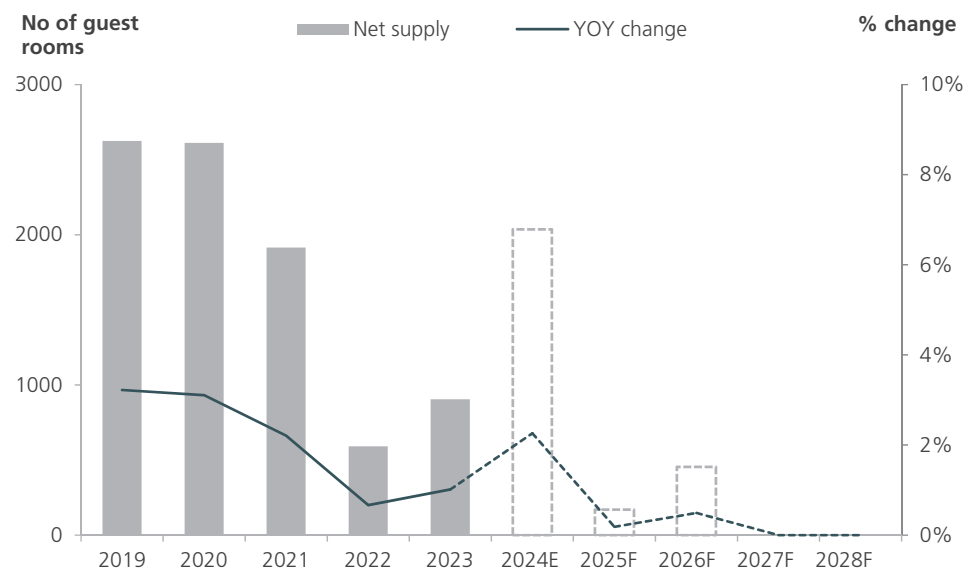
Opening	District	Name of Hotel	No of rooms
2024 Q1	Kowloon City	Harvest Triumph One	207
2024 Q1	Kowloon City	Harvest Triumph Two	48
2024 Q1	Southern	Shama Hub Metro South	139
2024 Q2	Eastern	The South China Hotel	204
2024 Q2	Central & Eastern	Motto By Hilton Hong Kong Soho	274
2024 Q2	Eastern	China Rich Oriental Hotel	67
2024 Q2	Wan Chai	Causeway Corner	105
2024 Q2	Kowloon City	Metropark Hotel Hung Hom	536
2024 Q2	Kowloon City	Dorsett Kai Tak, Hong Kong	373

Source: Hong Kong Tourism Board

Hotel Supply Forecast

According to the Hong Kong Tourism Board and Knight Frank estimates, the number of hotels in Hong Kong is expected to reach 333 by 2028.

New hotel guest room supply in Hong Kong



Note: 2024-2028 figures are forecasts
Source: Hong Kong Tourism Board / Knight Frank

All the upcoming new guest rooms are expected to be completed from 2024 to 2026. Following that, no new hotel supply is expected between 2027 and 2028, according to Hong Kong Tourism Board estimates.⁷⁵

⁷⁵ Source: "Hotel Supply Situation Report as at September 2024", HKTb, partnernet.hktb.com/

Short-term Outlook

Since Hong Kong's full resumption of normal travel with Mainland China and the rest of the world in the first quarter of 2023, total visitor arrivals have surged to over 44 million in 2024⁷⁶, which is about 79% of 2019 level.⁷⁷ As the Government continues to encourage mega events and international meetings, conventions and exhibitions in the city, it is expected visitor arrivals could recover to 80-90% of 2019 level in 2025. The launch of Hotel Accommodation Tax is expected to have limited impact as it constitutes less than 1% of total spending by tourists.

The recovery in ADR is so far capped by the budget-conscious visitors. However, as Hong Kong Dollar continues to depreciate on the back of US rate cuts, this could help encouraging visitor spending in the short-term. Coupled with an expected mild growth in international tourism, we expect occupancy level and hotel ADR to pick up again in the near term.

Long-term Outlook

Demand for hotel rooms in Hong Kong is expected to recover gradually with continued improvements of tourism infrastructure in the territory. Meanwhile, Hong Kong's well-established role as an international financial centre and a premium business centre in the Asia-Pacific region will continue to generate a steady stream of travellers after the pandemic ends.

In the long term, government investments in infrastructure, including the recent addition of more mass rapid transit lines such as the Shatin to Central Link and Three-runway System Development of HKIA will continue to bode well for Hong Kong's tourism and hospitality industry.

Other projects in the pipeline, including the expansion of Hong Kong Disneyland, Kai Tak Sports City and West Kowloon Cultural District, will contribute towards sustaining Hong Kong's attractiveness as a key tourist destination in Asia. This should help boost the visitor arrivals from both Mainland China and overseas in the long term, and thus provide support to the Hong Kong hotel market in the coming years.

⁷⁶ Source: "Visitor Arrivals to Hong Kong in December 2019, December 2024", HKTb, partnernet.hktb.com/

⁷⁷ Source: "Tourist Statistics Database Dec 2019 – Dec 2024", HKTb, partnernet.hktb.com/

(1) REGAL AIRPORT HOTEL

The Regal Airport Hotel (RAH) is located at 9 Cheong Tat Road. It is Hong Kong's only airport hotel with direct access to the passenger terminals through an air-conditioned footbridge.

RAH enjoys a prime location in close proximity to AsiaWorld Expo, a key venue for MICE events, as well as major tourist attractions, including Hong Kong Disneyland. The hotel benefits from its easy access to a variety of shopping and dining options at the HKIA terminals and Citygate Outlets. Additionally, RAH can be conveniently reached via the Airport Express Line, taxis, and city buses providing direct connections to various parts of Hong Kong.

In 2022, Regal Hotels International further expanded its market presence with the launch of Regala Skycity Hotel, offering 1,208 additional keys near the airport. That same year, The Silveri, another new hotel, opened in Tung Chung. The primary competitors in the region include the well-established Novotel Citygate Hong Kong in Tung Chung and the Hong Kong SkyCity Marriott Hotel, which is located adjacent to AsiaWorld Expo. Despite the presence of these competitors, RAH holds a competitive edge due to its strategic location and direct access to passenger terminal.

According to the HKIA Master Plan 2030, with the three-runway system (3RS) extension projects completed in 2024 and HKIA Terminal 2 scheduled to be completed by 2025, HKIA's capacity can be extended by an additional 30 million passengers per year. Concurrently, the large-scale commercial complex, SkyCity, has been launched in stages between 2022 and 2025. In 2022, three Grade A office towers under K11 ATELIER were completed, and the first phase of the commercial section, known as 11 Skies, began operations in mid-2023. The entertainment section is anticipated to launch in 2025, and upon full completion, the entire development will have over 800 shops and more than 120 dining concepts⁷⁸. Furthermore, the opening of the SkyCity Transport Terminal in November 2023 has enhanced connectivity within the HKIA area, benefiting the surrounding neighborhood, including RAH.

The government's active promotion of international events and activities throughout 2024 successfully attracted more visitors and benefitted the hospitality sector. We anticipate that the tourism market will gain further momentum in 2025 as international and mainland overnight visitors increase, leading to higher occupancy rates and average room rates. While we expect a modest recovery in the short to medium term, a full recovery is projected over the long run.

⁷⁸ 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, one of Hong Kong's shopping and entertainment districts. RHK enjoys excellent accessibility due to its proximity to diverse transport options, such as the MTR, taxis, buses, trams, and well-developed road networks. It is only a few minutes' walk from the MTR Causeway Bay Station, offering convenient access to various parts of Hong Kong.

RHK is conveniently located near different shopping and entertainment destinations, such as Sogo Department Store, Times Square, Hysan Place, Fashion Walk, and Lee Gardens. Additionally, the hotel benefits from its proximity to major sports and recreational venues, including Hong Kong Stadium, Victoria Park, and Happy Valley Racecourse, which attract visitors participating in a variety of events.

There was one new hotel supply in Causeway Bay in 2024, namely Causeway Corner totaling 105 keys.⁷⁹

Situated in the renowned shopping district of Hong Kong Island, RHK attracts strong demand from both locals and tourists. The government's active promotion of international events and activities throughout 2024 successfully attracted more visitors and benefitted the hospitality sector. We anticipate that the tourism market will gain further momentum in 2025 as international and mainland overnight visitors increase, leading to higher occupancy rates and average room rates. While we expect a modest recovery in the short to medium term, a full recovery is projected over the long run.

(3) REGAL KOWLOON HOTEL

The Regal Kowloon Hotel (RKH) is located at 71 Mody Road in Tsim Sha Tsui East, a well-known area in Hong Kong featuring a mix of shopping, dining and cultural attractions. The immediate locality consists of major shopping centres, office buildings, hotels and landmarks such as Avenue of Stars, The Hong Kong Cultural Centre, Hong Kong Museum of Art, Hong Kong Museum of History and Hong Kong Science Museum. The area is well-connected by public transport, with convenient access to the MTR and buses. Notable shopping malls such as Harbour City, iSquare, K11 Musea and The One are all within walking distance.

In 2023, Mondrian introduced its first hotel in Greater China, Mondrian Hong Kong, located in Tsim Sha Tsui. Additionally, Regent Hong Kong, formerly known as InterContinental Hong Kong, reopened in November 2023 following a renovation. In 2025, a new hotel Kimpton Hong Kong will be completed at former Mariner's Club site, further adding 492 keys⁸⁰. Similar luxury hotels in the area include Rosewood Hotel, K11 Artus, and Page 148. However, differences in operational scale, location, and target clientele suggest that these luxury hotels are unlikely to have direct competition with RKH.

Situated in the renowned shopping district of Kowloon, RKH attracts strong demand from both locals and tourists. The government's active promotion of international events and activities throughout 2024 successfully attracted more visitors and benefitted the hospitality sector. We anticipate that the tourism market will gain further momentum in 2025 as international and mainland overnight visitors increase, leading to higher occupancy rates and average room rates. While we expect a modest recovery in the short to medium term, a full recovery is projected over the long run.

⁷⁹ Source: "Hotel Supply Situation Report as at September 2024", HKTB, partnernet.hktb.com/

⁸⁰ 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, facing the old Kai Tak Airport, which was once Hong Kong's main aviation hub. The immediate locality features a mix of cultural heritage and community spaces in Kowloon City, along with new commercial or residential developments in Kai Tak. Nearby tourist attractions include Chi Lin Nunnery, Wong Tai Sin Temple, and Hau Wong Temple.

The completion of the MTR Shatin-Central Link (SCL) Phase 1 in June 2021, which connects Kai Tak to Hung Hom, followed by the expansion of SCL Phase 2 in May 2022, has significantly improved travel times in the area.⁸¹ The extension of the East Rail Line from Hung Hom to Admiralty now allows for a streamlined 15-minute journey from Kowloon City to Admiralty, greatly enhancing accessibility to ROH.

The ongoing development of the Kai Tak area is transforming the former airport site into a vibrant mixed-use district, with new residential, commercial, and leisure facilities. According to the 2017 Policy Address, 16,000 additional residential flats and about 400,000 sq m of commercial area will be provided in Kai Tak.⁸² Kai Tak's new shopping destination, AIRSIDE opened in September 2023, providing over 700,000 sq ft of commercial spaces and 40 dining options⁸³. "The Twins" under SOGO's operation was opened in late 2024, offering 1.1 million sq ft of retail space and hosting more than 700 shops, including a SOGO department store⁸⁴. Additionally, Kai Tak Sports Park, covering 28 hectares and designed to accommodate international sports events and entertainment activities⁸⁵, was opened in late 2024. The transformation of Kai Tak area into a prominent destination for sports, shopping, and entertainment will enhance amenities and connectivity for visitors. Its proximity to ROH is expected to attract more tourists and business travellers, enhancing ROH's accessibility and growth potential.

In 2024, Dorsett Hotel Kai Tak opened in September, totalling 373 keys.⁸⁶

The government's active promotion of international events and activities throughout 2024 successfully attracted more visitors and benefitted the hospitality sector. We anticipate that the tourism market will gain further momentum in 2025 as international and mainland overnight visitors increase, leading to higher occupancy rates and average room rates. While we expect a modest recovery in the short to medium term, a full recovery is projected over the long run.

⁸¹ Source: Mass Transit Railway Corporation, Press Release, www.mtr.com.hk/archive/corporate/en/press_release/PR-22-039-E.pdf

⁸² Source: Information Services Department (ISD), 2017 Policy Address.

⁸³ Source: Announcement, Nan Fung Group, <https://www.nanfung.com/en/about-us/announcement/nan-fung-groups-flagship-mixed-use-complex-airside/>

⁸⁴ Source: "The Twins", Lifestyle International Holdings Ltd., <https://www.lifestylehk.com.hk/en/our-business>

⁸⁵ Source: Kai Tak Sports Park, MEHK, <https://www.mehongkong.com/eng/home/mice-ideas/detail/kai-tak-sports-park.html>

⁸⁶ Source: "Hotel Supply Situation Report as at September 2024", HKTb, partnernet.hktb.com/

(5) REGAL RIVERSIDE HOTEL

The Regal Riverside Hotel (RRH) is situated at 34-36 Tai Chung Kiu Road in Sha Tin, a well-developed district in the New Territories of Hong Kong. The immediate locality features a mix of residential neighborhoods, recreational facilities, and shopping centres such as New Town Plaza. With easy access to public transport, including the MTR, buses, and taxis, RRH offers convenient connectivity to other districts in Hong Kong. The completion of the MTR Shatin-Central Link (SCL) Phase 2 in May 2022 has further enhanced RRH's accessibility to other districts in Hong Kong.

In the vicinity, residents or visitors can explore a variety of retail and dining choices at New Town Plaza, Shatin Centre, and Shatin Plaza Shopping Arcade. For leisure, the nearby Shatin Racecourse and Shing Mun River offer excellent options for sports and recreation.

Since the opening of Alva Hotel in 2019, there have been no new hotel developments in Sha Tin or the surrounding areas. However, it has minimal impact on RRH given that market position and hotel scale are different.

The government's active promotion of international events and activities throughout 2024 successfully attracted more visitors and benefitted the hospitality sector. We anticipate that the tourism market will gain further momentum in 2025 as international and mainland overnight visitors increase, leading to higher occupancy rates and average room rates. While we expect a modest recovery in the short to medium term, a full recovery is projected over the long run.

(6) ICLUB WAN CHAI HOTEL

iclub Wan Chai Hotel (ICWC) is located at Johnston Road, Wan Chai. The immediate locality comprises a mix of office and residential developments, with cultural landmarks like the Wan Chai Heritage Trail also in close proximity. The area is well-connected by public transportation, with the MTR Wan Chai station only a few minutes away, buses, taxis and trams; ferry service between Tsim Sha Tsui and Wan Chai are also available.

The notable Hong Kong Convention and Exhibition Centre (HKCEC) is a 15-minute walk away from ICWC. This close proximity makes ICWC a popular choice for business travellers and visitors attending events at the HKCEC, as it offers easy access and a comfortable stay during their visit.

The completion of SCL Phase 2 in May 2022, which extends the East Rail Line from Hung Hom to Admiralty, has significantly improved connectivity between Hong Kong Island and mainland China. The opening of the MTR Exhibition Centre Station has benefited nearby hotels, as the travel time from Lok Ma Chau or Lo Wu to Wan Chai is reduced, further enhancing ICWC's accessibility.

In 2022 and 2023, Langham Hospitality Group introduced a new brand, Ying'nFlo, with the opening of two hotels – Ying'nFlo Hong Kong and Ying'nFlo Wesley Admiralty, located in Wan Chai. Together, these hotels offer a total of 321 guest rooms⁸⁷. Furthermore, Hopewell Holdings' Hopewell Hotel has completed its soft opening in late 2024, adding around 1,000 guest rooms⁸⁸. These hotels cater to affluent travellers, which distinguishes their target market from that of ICWC.

⁸⁷ Source: Press Release, Langham Hospitality Group, <https://www.langhamhospitalitygroup.com/en/media/latest-news/langham-hospitality-group-launches-ying-n-flo/>

⁸⁸ Source: Hopewell Centre II, https://www.hopewellholdings.com/eng/hhl_hopewell_centre_II.htm

Situated in a prime business district, ICWC attracts strong demand from business travellers. The government's active promotion of international events and activities throughout 2024 successfully attracted more visitors and benefitted the hospitality sector. We anticipate that the tourism market will gain further momentum in 2025 as international and mainland overnight visitors increase, leading to higher occupancy rates and average room rates. While we expect a modest recovery in the short to medium term, a full recovery is projected over the long run.

(7) ICLUB SHEUNG WAN HOTEL

The iclub Sheung Wan Hotel (ICSW) is located in Bonham Strand, Sheung Wan, a well-established commercial and residential district on Hong Kong Island. The area is known for its blend of modern office buildings such as Shun Tak Centre and Cosco Tower, and cultural landmarks such as Man Mo Temple and the historic Western Market. With easy access to public transport, including the MTR, buses, and taxis, ICSW offers convenient connectivity to other districts in Hong Kong.

The hotel benefits from its close proximity to the Hong Kong-Macau Ferry Terminal, which is just a short distance away, offering easy access for travellers heading to and from Macau. This prime location provides guests with seamless connections to various parts of Hong Kong and nearby regions, making it an ideal choice for both leisure and business travellers.

Additionally, the hotel attracts leisure travellers with nearby clusters of stores along Wing Lok Street and Des Voeux Road West, known for their quality dried foods. The surrounding area is known for its blend of traditional markets, modern retail outlets, and dining options, providing guests with a rich cultural experience.

According to Hong Kong Tourism Board, a new hotel has been added to the Sheung Wan district in 2024 – Motto by Hilton Hong Kong Soho, offering 274 guestrooms.⁸⁹

Situated close to the Central business district, surrounded by high-quality office developments, ICSW experiences strong demand from business travellers. The government's active promotion of international events and activities throughout 2024 successfully attracted more visitors and benefitted the hospitality sector. We anticipate that the tourism market will gain further momentum in 2025 as international and mainland overnight visitors increase, leading to higher occupancy rates and average room rates. While we expect a modest recovery in the short to medium term, a full recovery is projected over the long run.

⁸⁹ Source: "Hotel Supply Situation Report as at September 2024", HKTb, partnernet.hktb.com/

(8) ICLUB FORTRESS HILL HOTEL

iclub Fortress Hill Hotel (ICFH) is located in Merlin Street in North Point, a well-connected district on Hong Kong Island. The immediate locality consists of a mix of commercial and residential buildings, with a variety of local eateries and shops. Located near the MTR Fortress Hill station, the area offers convenient access to other districts in Hong Kong.

Fortress Hill is strategically located between Quarry Bay and Causeway Bay, offering a blend of both commercial and retail developments. It is adjacent to Quarry Bay, a growing decentralised commercial district featuring high-quality office developments, and is also close to Causeway Bay, one of Hong Kong's prime retail areas. Notable shopping centres such as Times Square, Lee Gardens, Sogo Department Store, and Hysan Place are just a short distance away, providing ample shopping and dining options. For leisure, the East Coast Park Precinct, which opened in 2021, is only a 5-minute walk from ICFH, making it an ideal spot for families and pet owners. Additionally, popular recreational facilities such as Victoria Park, Hong Kong Stadium, and the Happy Valley Racecourse are also nearby.

In 2023, Vanke Hong Kong launched its new hotel, Stellar, in North Point, contributing 164 keys to the area⁹⁰. Additionally, Ascott North Point Hong Kong opened in 2024, adding a total of 204 keys.⁹¹ However, they have minimal impact on ICFH given that market position and hotel scale are different.

Situated close to the MTR Fortress Hill Station, which offers excellent connectivity to Kowloon and the New Territories, making it an ideal choice for travellers seeking convenience and ease of access. The government's active promotion of international events and activities throughout 2024 successfully attracted more visitors and benefitted the hospitality sector. We anticipate that the tourism market will gain further momentum in 2025 as international and mainland overnight visitors increase, leading to higher occupancy rates and average room rates. While we expect a modest recovery in the short to medium term, a full recovery is projected over 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, a well-established residential area. The immediate locality is predominately low- to mid-rise residential developments. Located near the MTR To Kwa Wan station, the area offers convenient access to other districts in Hong Kong.

The completion of the MTR Shatin-Central Link (SCL) Phase 1 in June 2021, which connects Kai Tak to Hung Hom, followed by the expansion of SCL Phase 2 in May 2022, has significantly improved travel times in the area.⁹² The extension of the East Rail Line from Hung Hom to Admiralty now allows for a streamlined 15-minute journey from Kowloon City to Admiralty, greatly enhancing accessibility to ICTKW.

⁹⁰ Sources: Press Releases, Vanke, <https://www.vankehk.com/en/press-release/vanke-hong-kong-officially-named-its-hotel-and-serviced-apartments-as-the-stellar>

⁹¹ Source: "Hotel Supply Situation Report as at September 2024", HKTb, partnernet.hktb.com/

The ongoing development of the Kai Tak area is transforming the former airport site into a vibrant mixed-use district, with new residential, commercial, and leisure facilities. According to the 2017 Policy Address, 16,000 additional residential flats and about 400,000 sq m of commercial area will be provided in Kai Tak.⁹³ Kai Tak's new shopping destination, AIRSIDE opened in September 2023, providing over 700,000 sq ft of commercial spaces and 40 dining options⁹⁴. "The Twins" under SOGO's operation was opened in late 2024, offering 1.1 million sq ft of retail space and hosting more than 700 shops, including a SOGO department store⁹⁵. Additionally, Kai Tak Sports Park, covering 28 hectares and designed to accommodate international sports events and entertainment activities⁹⁶, was opened in late 2024. The transformation of Kai Tak area into a prominent destination for sports, shopping, and entertainment will enhance amenities and connectivity for visitors. Its proximity to ICTKW is expected to attract more tourists and business travellers, enhancing ICTKW's accessibility and growth potential.

In 2024, Dorsett Hotel Kai Tak opened in September, totalling 373 keys.⁹⁷

Situated close to the MTR To Kwa Wan Station, which offers excellent connectivity to Kowloon and the New Territories, making it an ideal choice for travellers seeking convenience and ease of access. The government's active promotion of international events and activities throughout 2024 successfully attracted more visitors and benefitted the hospitality sector. We anticipate that the tourism market will gain further momentum in 2025 as international and mainland overnight visitors increase, leading to higher occupancy rates and average room rates. While we expect a modest recovery in the short to medium term, a full recovery is projected over the long run.

⁹² Source: Mass Transit Railway Corporation, Press Release, www.mtr.com.hk/archive/corporate/en/press_release/PR-22-039-E.pdf

⁹³ Source: Information Services Department (ISD), 2017 Policy Address.

⁹⁴ Source: Announcement, Nan Fung Group, <https://www.nanfung.com/en/about-us/announcement/nan-fung-groups-flagship-mixed-use-complex-airside/>

⁹⁵ Source: "The Twins", Lifestyle International Holdings Ltd., <https://www.lifestylehk.com.hk/en/our-business>

⁹⁶ Source: Kai Tak Sports Park, MEHK, <https://www.mehongkong.com/eng/home/mice-ideas/detail/kai-tak-sports-park.html>

⁹⁷ Source: "Hotel Supply Situation Report as at September 2024", HKTb, partnernet.hktb.com/

8.0 Limiting Conditions

This report is confidential to the addressees and unitholders of Regal REIT for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person (save and except where the valuation report is required to be published under the REIT Code, the Listing Rules and any other relevant laws and regulations).

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

Our total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited in accordance with the terms of our agreement. Knight Frank accepts no liability for any indirect or consequential loss or for loss of profits.

No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Knight Frank. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank.

We confirm that we hold adequate and appropriate Professional Indemnity Insurance cover for this instruction.

Reviewed (but not undertaken) by:

Stella Ho

MHKIS MRICS RICS Registered Valuer R.P.S. (GP)
Executive Director
Valuation & Advisory
For and on behalf of Knight Frank Petty Limited

Cyrus Fong

FHKIS FRICS RICS Registered Valuer R.P.S. (GP)
Executive Director
Head of Valuation & Advisory, Greater China
For and on behalf of Knight Frank Petty Limited

SUMMARY OF PROPERTY PORTFOLIO

As at 31st December, 2024

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, 2024 HK\$'000	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
Gross rental and hotel revenue	701,212	617,762	616,441	593,544	871,398
Net rental and hotel income	681,004	599,038	600,599	578,916	858,099
Profit/(Loss) before tax and distributions to Unitholders	(200,460)	246,324	966,097	631,731	(2,222,407)
Profit/(Loss) for the year, before distributions to Unitholders	(204,400)	265,736	929,896	577,087	(2,309,806)
Distribution income/(adjusted loss) for the year attributable to Unitholders	(90,578)	(127,612)	204,759	310,848	491,355
Total distributions per Unit	—	—	HK\$0.061	HK\$0.086	HK\$0.136

Summary of the assets and liabilities

	2024 HK\$'000	2023 HK\$'000 (restated)	2022 HK\$'000 (restated)	2021 HK\$'000 (restated)	2020 HK\$'000
Non-current assets:					
Property, plant and equipment	672,000	636,000	604,000	575,000	543,000
Investment properties	23,271,000	23,352,000	22,949,000	22,149,000	21,829,000
Derivative financial instruments	2,671	—	—	—	—
Finance lease receivables	—	998	7,468	13,819	1,584
Current assets	279,793	403,347	288,043	174,656	361,518
Total assets	24,225,464	24,392,345	23,848,511	22,912,475	22,735,102
Current liabilities	1,005,728	757,762	5,581,679	241,129	4,864,557
Non-current liabilities	10,312,237	10,560,710	5,458,968	10,524,435	5,939,685
Total liabilities	11,317,965	11,318,472	11,040,647	10,765,564	10,804,242
Net assets attributable to Unitholders	12,907,499	13,073,873	12,807,864	12,146,911	11,930,860
Net asset value per Unit attributable to Unitholders	HK\$3.962	HK\$4.014	HK\$3.932	HK\$3.729	HK\$3.663

