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## REGAL REAL ESTATE INVESTMENT TRUST

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

(Stock Code: 1881)

Managed by



### 2020 ANNUAL RESULTS ANNOUNCEMENT

#### FINANCIAL AND BUSINESS HIGHLIGHTS

For the year ended 31st December, 2020

	2020 HK\$ million	2019 HK\$ million	% Change
Gross rental revenue	860.4	948.7	-9.3%
Gross hotel revenue	11.0	26.9	-59.3%
Net rental and hotel income	858.1	956.0	-10.2%
Loss for the year, before distributions to Unitholders*	(2,309.8)	(2,102.3)	+9.9%
Core profit, excluding fair value changes on investment properties	438.2	420.3	+4.3%
Distributable income for the year attributable to Unitholders	<u>491.4</u>	<u>445.2</u>	+10.4%
Total assets	<u>22,735.1</u>	<u>25,370.3</u>	-10.4%
Net assets attributable to Unitholders	<u>11,930.9</u>	<u>14,671.1</u>	-18.7%
Final distribution per Unit	<u>HK\$0.076</u>	<u>HK\$0.056</u>	+35.7%
Total distributions per Unit	<u>HK\$0.136</u>	<u>HK\$0.124</u>	+9.7%
Net Asset Value per Unit attributable to Unitholders	<u>HK\$3.663</u>	<u>HK\$4.504</u>	-18.7%

\* Includes revaluation deficit of HK\$2,748.0 million and HK\$2,522.6 million (after taking into account capital expenditures incurred) that arose from fair value changes on investment properties based on independent valuer appraisals as at 31st December, 2020 and 31st December, 2019, respectively.

- Net rental and hotel income amounted to HK\$858.1 million (2019: HK\$956.0 million).
- Loss for the year, before distributions to Unitholders, amounted to HK\$2,309.8 million (2019: HK\$2,102.3 million), including fair value loss of HK\$2,748.0 million (2019: HK\$2,522.6 million) arising from the decrease in the appraised values of the investment properties.
- Core profit, excluding the fair value changes on investment properties, amounted to HK\$438.2 million (2019: HK\$420.3 million).
- Total distributable income amounted to HK\$491.4 million, which was 10.4% higher than the HK\$445.2 million reported in 2019. The increase was mainly attributable to the reduction in the finance costs incurred, benefiting from the drop in Hong Kong Interbank Offered Rates (HIBOR) during the year, on which the bank borrowing costs of Regal REIT are based.
- As at 31st December, 2020, net assets attributable to Unitholders amounted to HK\$11,930.9 million, representing a net asset value of HK\$3.663 per Unit (31st December, 2019: HK\$4.504 per Unit).
- Final distribution of HK\$0.076 per Unit for 2020 (2019: HK\$0.056 per Unit). Total distributions will amount to HK\$0.136 per Unit for 2020 (2019: total distributions of HK\$0.124 per Unit).
- Regal REIT currently owns a portfolio of nine operating hotels and is one of the major hotel owners in Hong Kong. The portfolio comprises 5 Regal Hotels and 4 iclub Hotels, commanding an aggregate of 4,918 guestrooms and suites. Within this portfolio, 5 Regal Hotels and 3 iclub Hotels are under leases to a wholly-owned subsidiary of Regal Hotels International Holdings Limited, the intermediate listed parent of Regal REIT.
- The market rental review for the 5 Regal Hotels for 2021 was completed in November 2020 by the jointly appointed independent professional property valuer, with the aggregate annual base rent determined to be HK\$460.0 million, which was HK\$250.0 million below the aggregate base rent for 2020.

- While the iclub Ma Tau Wai Hotel is still within the fixed rental term until September 2022, the 2021 base rent for each of the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel was also determined in November 2020 to be HK\$26.0 million, which is a reduction of HK\$15.0 million below their respective annual base rents for 2020.
- The Trust Deed governing the Regal REIT has been formally amended to provide for, among other things, (i) the possible investment by Regal REIT in minority-owned properties; (ii) the relaxation of the diversification limits applicable to relevant investments; and (iii) the change in the borrowing limit from 45% to 50% of the gross asset value of the deposited property of the Regal REIT, which became effective on 23rd March, 2021.
- For the first two months of 2021, the performance of the tourist market in Hong Kong remained weak but it is hoped that with the successful implementation of vaccination programmes, it will not be long for the borders with the Mainland to be re-opened and normal business and travelling activities in and out of Hong Kong to be resumed.
- Hong Kong has always been a vibrant and resilient community and the REIT Manager believes that Hong Kong's tourism industry and its economy as a whole will be able to regain its recovery momentum soon after the pandemic subsides.

## FINANCIAL RESULTS

For the year ended 31st December, 2020, Regal Real Estate Investment Trust (“**Regal REIT**”) recorded a consolidated loss before distributions to unitholders of Regal REIT (the “**Unitholders**”) of HK\$2,309.8 million, as compared to a loss of HK\$2,102.3 million for the financial year 2019. The loss recorded for the year under review included a fair value loss of HK\$2,748.0 million arising from the decrease in the appraised values of Regal REIT's investment property portfolio, after accounting for the additional capital expenditures incurred, while for the comparative year in 2019, a fair value loss of HK\$2,522.6 million was recorded. If the effects of the fair value changes are excluded, the core profit before distributions to Unitholders for 2020 would amount to HK\$438.2 million, which represents an increase of 4.3% as compared to HK\$420.3 million for the preceding year.

Total distributable income for the year under review amounted to HK\$491.4 million, which was 10.4% higher than the HK\$445.2 million reported in 2019. The increase in the total distributable income was mainly attributable to the reduction in the finance costs incurred, benefiting from the drop in the Hong Kong Interbank Offered Rates (**HIBOR**) during the year, on which the bank borrowing costs of Regal REIT are based.

The board of directors (the “**Directors**”) of Regal Portfolio Management Limited (the “**REIT Manager**”) has resolved to declare a final distribution of HK\$0.076 per Unit for the year ended 31st December, 2020 (2019: HK\$0.056). Together with the interim distribution of HK\$0.060 (2019: HK\$0.068) per Unit paid, this brings the total distributions per Unit for 2020 to HK\$0.136, which is 9.7% higher than the total distributions of HK\$0.124 per Unit in 2019. Total distributions for the year, including both the interim and final distributions, will amount to HK\$443.0 million and represent a payout ratio of 90.2% of the total distributable income for 2020.

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

The Register of Unitholders will be closed from Thursday, 13th May, 2021 to Tuesday, 18th May, 2021, both days inclusive, during which period no transfers of Units will be effected. In order to qualify for the distribution, all Unit certificates with completed transfer forms must be lodged with Regal REIT’s Unit registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Wednesday, 12th May, 2021. The relevant distribution warrants are expected to be despatched on or about 27th May, 2021.

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

According to a recent publication by the World Bank Group, although the global economy is emerging from the collapse triggered by the COVID-19 pandemic, the recovery is projected to be subdued. For 2020 as a whole, output in the United States is estimated to have fallen by 3.6%. In China, through the effective control of the pandemic and the support from infrastructure spending and public investment-led stimulus, its economy has rebounded at a faster-than-expected pace. Despite the growth in its Gross Domestic Product (**GDP**) decelerating from 6.0% in 2019 to 2.3% in 2020, China is the only major economy in the world that was able to achieve positive economic growth under the impact of the pandemic crisis. In Hong Kong, the local economy was also hard hit by the pandemic, with its GDP for the year having contracted by 6.1% as compared to 2019, which is the largest deterioration on record for Hong Kong.

Due to the stringent travel restrictions under the pandemic, visitor arrivals to Hong Kong for the whole year of 2020 plummeted to 3.6 million, including 2.7 million visitors from Mainland China, which was a decline of 93.8% year-on-year. Total overnight visitors were only 1.4 million and represented a decrease of 94.3% year-on-year. As a matter of record, the vast majority of those visitors came into Hong Kong in January and February of 2020, before the enforcement of the pandemic lockdown measures. To cope with this adverse market environment, hotel operators in Hong Kong had to shift their business focuses from incoming overseas visitors to domestic staycation and long stay customers. Although this helps hotel occupancy levels to a certain extent, it has a significant downward impact on the room rates.

Based on a hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories in 2020 was 46.0%, a decrease of 33.0 percentage points from 2019, while the industry-wide average room rate dropped by 26.5%, resulting in a year-on-year decrease of 57.2% in Revenue per Available Room (“**RevPAR**”).

The five Initial Hotels owned by Regal REIT 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. Faced with these difficult market conditions, the combined average occupancy rate for the Initial Hotels in 2020 was only maintained at 37.2%, as compared to 77.9% in the prior year. Their combined average room rate decreased by 41.6%, with RevPAR consequently declining by 72.1% year-on-year. Beginning in early 2020, the hotel management company of RHIHL implemented various streamlining measures to cut the hotel operating costs and managed to achieve for the Initial Hotels an overall gross operating profit despite the very challenging environment.

The 2020 annual market rentals for the Initial Hotels were determined by a jointly appointed independent professional property valuer in November 2019 before the pandemic outbreak and, therefore, have not been significantly affected by the market downturn in 2020. For the year under review, the Initial Hotels generated aggregate base rent of HK\$710.0 million and no variable rent was earned.

The market rental review for the Initial Hotels for 2021 was completed in November 2020. The aggregate annual base rent for the five hotels for 2021 was determined to be HK\$460.0 million, which was HK\$250.0 million below the aggregate base rent for 2020, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income (the “**NPI**”) of the Initial Hotels over the aggregate base rent.

Apart from the five Initial Hotels under the “Regal” brand, Regal REIT also owns a separate line of select-service hotels under the “iclub” brand name, which was developed by the RHIHL group. Currently, there are four iclub Hotels owned by Regal REIT and operating in Hong Kong. The businesses of these iclub Hotels during the year have also been adversely affected by the pandemic restrictions.

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and is presently self-operated by Regal REIT. The average occupancy rate for this hotel for year 2020 was 73.9%, as compared to 83.7% in 2019, but its average room rate dropped by 54.2%, with RevPAR consequently declining by 59.5% year-on-year. This hotel generated modest gross operating profits during the year.

As for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, their combined annual average occupancy rate for the year was 72.1%, 9.3 percentage points below the level in 2019, while their combined average room rate decreased by 48.5%, resulting in a reduction of 54.4% in their average combined RevPAR year-on-year. In 2020, these two hotels generated aggregate rental receipts of HK\$82.0 million, representing the base rents receivable from their leases to the RHIHL lessee for the year under their respective market rental packages.

Same as for the Initial Hotels, the rental packages for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel are determined annually by a jointly appointed independent professional property valuer. Under the market rental reviews also concluded in November 2020, the base rent for 2021 for each of these two hotels was determined to be HK\$26.0 million, which is a reduction of HK\$15.0 million below their respective annual base rents in 2020. Variable rent will continue to be based on 50% sharing of the excess of the NPI over the base rent of each hotel.

The iclub Ma Tau Wai Hotel, acquired in September 2017, is still within the fixed rental term which will end in September 2022. The lease will be extendable to 31st December, 2027 at the option of Regal REIT, with rentals to be based on annual market rental reviews. For the year under review, this hotel earned cash rentals of HK\$62.3 million.

Following the recent amendments to the Code on Real Estate Investment Trusts (the “**REIT Code**”) promulgated by the Securities and Futures Commission, the trust deed governing the Regal REIT (the “**Trust Deed**”) has been formally amended to provide for, among other things, (i) the possible investment by Regal REIT in minority-owned properties; (ii) the relaxation of the diversification limits applicable to relevant investments; and (iii) the change in the borrowing limit from 45% to 50% of the gross asset value of the deposited property of the Regal REIT. Details of these amendments to the Trust Deed, which became effective on 23rd March, 2021, are contained in an announcement published on the same day.

## **BUSINESS OUTLOOK**

The COVID-19 pandemic has significantly changed and reshaped the global business environment. According to the World Bank Group, global economic output is expected to expand by 4% in 2021 but remains below its pre-pandemic projections. There is also a material risk that setbacks in containing the pandemic may derail the recovery process. While governments around the world are continuing to introduce various stimulus packages to stabilise their economies, the prospects of the China-US trade relations remain uncertain and the global financial markets can be volatile under the large-scale quantitative easing environment. There are still high levels of uncertainties in the global economic outlook.

On a brighter note, several vaccines have now been authorised and distributed to many countries around the globe to rollout the vaccination programmes for their citizens. It is hoped that when the effective vaccines can be widely used and the coronavirus thereby brought under control, the global economy will begin to ramp up in its recovery.

Hong Kong will continue to benefit from its key position as an international financial and commercial hub. There will be plenty of opportunities and development space for Hong Kong in different business sectors under the development plan of the Guangdong-Hong Kong-Macao Greater Bay Area and the “Belt and Road” initiative. These business activities will, in turn, promote the demand from business travellers and leisure visitors to Hong Kong.

For the first two months of 2021, the performance of the tourist market in Hong Kong remained weak. It is hoped, however, that with the successful implementation of vaccination programmes, it will not be long for the borders with the Mainland to be re-opened and normal business and travelling activities in and out of Hong Kong to be resumed. Hong Kong has a wide range of competitive advantages that have made the city one of the world’s most attractive destinations for tourism, shopping, investing and doing business. Hong Kong has always been a vibrant and resilient community and the REIT Manager believes that Hong Kong’s tourism industry and its economy as a whole will be able to regain its recovery momentum soon after the pandemic subsides.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operational Review

During the year under review, Regal REIT received aggregate base rent in cash of HK\$710.0 million from Favour Link International Limited for the leases of the Initial Hotels. For the year, as the aggregate NPI from hotel operations of the Initial Hotels only amounted to HK\$29.2 million, which fell short of the aggregate base rent of HK\$710.0 million and, therefore, no variable rent was earned.

iclub Wan Chai Hotel – hotel portion contributed gross hotel revenue of HK\$11.0 million and incurred operating costs and expenses amounting to HK\$9.8 million. iclub Wan Chai Hotel – non-hotel portions generated rental income of HK\$5.0 million for the year under review.

During the year ended 31st December, 2020, Regal REIT received base rent of HK\$41.0 million for the leasing of the iclub Sheung Wan Hotel. As the NPI from hotel operations of the iclub Sheung Wan Hotel was HK\$9.1 million, which fell short of the base rent of HK\$41.0 million, no variable rent was earned.

During the year ended 31st December, 2020, Regal REIT received base rent of HK\$41.0 million for the leasing of the iclub Fortress Hill Hotel and, as the NPI from hotel operations of the iclub Fortress Hill Hotel was HK\$7.0 million, no variable rent was earned.

During the year ended 31st December, 2020, Regal REIT received rentals of HK\$62.3 million, which was recognised as pro-rated fixed rental income of HK\$61.3 million on the straight-line basis, from the leasing of the iclub Ma Tau Wai Hotel.



## Financial Review

As at 31st December, 2020, Regal REIT's loan facilities aggregating HK\$11,020.0 million, with varying maturity terms, were comprised of: (a) term and revolving loan facilities of up to HK\$5,500.0 million secured by four of the five Initial Hotels; (b) a term loan facility of HK\$3,000.0 million secured by Regal Kowloon Hotel; (c) a term loan facility of HK\$405.0 million secured by the iclub Wan Chai Hotel; (d) term and revolving loan facilities of up to HK\$790.0 million secured by the iclub Sheung Wan Hotel; (e) term and revolving loan facilities of up to HK\$704.0 million secured by the iclub Fortress Hill Hotel; and (f) a term loan facility of HK\$621.0 million secured by the iclub Ma Tau Wai Hotel.

On 12th September, 2016, Regal REIT, through wholly-owned subsidiaries, 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\$1,000.0 million (the “**2016 IH Facilities**”), for a term of five years to September 2021. The 2016 IH Facilities are secured by four of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. The 2016 IH Facilities carry a HIBOR-based interest margin and, as at 31st December, 2020, had an outstanding amount of HK\$4,620.0 million, representing the full amount of the term loan facility and a revolving loan portion of HK\$120.0 million. Taking into account the fair value of the relevant investment properties, the REIT Manager considers Regal REIT would be able to secure a refinancing arrangement with terms customary of this nature.

On 8th March, 2018, Regal REIT, through a wholly-owned subsidiary, arranged a bilateral term loan facility of HK\$3,000.0 million (the “**2018 RKH Facility**”), secured by a mortgage over the Regal Kowloon Hotel. This facility bears a HIBOR-based interest margin and has a term of five years to March 2023. As at 31st December, 2020, the outstanding amount of the 2018 RKH Facility was HK\$3,000.0 million, representing the full amount of the term loan facility.

A term loan facility agreement for a principal amount of HK\$440.0 million (the “**2014 WC Facility**”), with a term of five years to December 2019, was entered into by a wholly-owned subsidiary of Regal REIT on 22nd December, 2014. The 2014 WC Facility was secured by the iclub Wan Chai Hotel and bore a HIBOR-based interest margin throughout its term. On 19th July, 2019, a new 5-year term loan facility of HK\$440.0 million (the “**2019 WC Facility**”) was granted by the same bank to early refinance the 2014 WC Facility. Most of the key terms remain unchanged while the new loan facility bears a lower interest margin with maturity in July 2024. As at 31st December, 2020, the outstanding facility amount of the 2019 WC Facility has been revised to HK\$405.0 million.

On 19th October, 2018, Regal REIT, through a wholly-owned subsidiary, arranged a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million, secured by the iclub Sheung Wan Hotel (the “**2018 SW Facilities**”). The 2018 SW Facilities bears a HIBOR-based interest margin with five years term to October 2023. As at 31st December, 2020, the utilised amount of the 2018 SW Facilities was HK\$776.0 million, representing the full amount of the term loan facility and a revolving loan amount of HK\$144.0 million.

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

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

During the year under review, the HIBOR market experienced high volatility but, in general, it was a downward trend. The 1-month HIBOR rate fluctuated within a wide range from around 2.268% per annum at the high end to around 0.102% per annum at the low end and was at 0.180% per annum as of 31st December, 2020. Benefiting from the drop in the HIBOR on which the bank borrowing costs are based, Regal REIT recorded a decrease of approximately HK\$98.0 million in finance costs in 2020 as compared to the previous year. At the year end date, the interest cost components in respect of all the loan facilities of Regal REIT are subject to floating HIBOR-based interest rates. The REIT Manager will continue to monitor the interest rate trends and to assess any need to contain or hedge the exposure of the floating interest rate against rate hikes.

As at 31st December, 2020, the gearing ratio of Regal REIT was 44.3% (2019: 39.3%), being the gross amount of the outstanding loans aggregating HK\$10,082.0 million, which takes into account: (a) the 2016 IH Facilities of HK\$4,620.0 million; (b) the 2018 RKH Facility of HK\$3,000.0 million; (c) the 2019 WC Facility of HK\$405.0 million; (d) the 2018 SW Facilities of HK\$776.0 million; (e) the 2018 FH Facilities of HK\$660.0 million; and (f) the 2020 MTW Facility of HK\$621.0 million, as compared to the total gross assets of Regal REIT of HK\$22,735.1 million. The gearing ratio is below the maximum 50% permitted under the amended REIT Code which became effective on 4th December, 2020.

Regal REIT had a total of HK\$244.0 million in unrestricted and HK\$88.5 million in restricted cash balances and bank deposits, and unutilised revolving loan facilities of HK\$938.0 million as at 31st December, 2020. 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, 2020, all nine Regal REIT properties with an aggregate carrying value of HK\$22,372.0 million were pledged to secure bank loan facilities granted to Regal REIT.

## Valuation of the Property Portfolio

As at 31st December, 2020, Regal REIT's overall property portfolio was valued at HK\$22,372.0 million (31st December, 2019: HK\$25,131.0 million). The property portfolio is comprised of (i) the five Initial Hotels, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel, the iclub Ma Tau Wai Hotel and the non-hotel portions of iclub Wan Chai Hotel that are classified as investment properties for an aggregate amount of HK\$21,829.0 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\$543.0 million.

Valuations of the properties as at 31st December, 2020 and 31st December, 2019 are tabulated below.

<b>Property</b>	<b>Location</b>	<b>31 Dec 2020 Valuation HK\$ million</b>	<b>31 Dec 2019 Valuation HK\$ million</b>	<b>% Change</b>
<i>Initial Hotels:</i>				
Regal Airport Hotel	Lantau Island	2,325	2,915	-20.2%
Regal Hongkong Hotel	HK Island	3,863	4,262	-9.4%
Regal Kowloon Hotel	Kowloon	5,220	5,740	-9.1%
Regal Oriental Hotel	Kowloon	1,656	1,860	-11.0%
Regal Riverside Hotel	New Territories	4,556	5,084	-10.4%
		<u>17,620</u>	<u>19,861</u>	<u>-11.3%</u>
<i>iclub Hotels:</i>				
iclub Wan Chai Hotel	HK Island	728	828	-12.1%
iclub Sheung Wan Hotel	HK Island	1,400	1,530	-8.5%
iclub Fortress Hill Hotel	HK Island	1,404	1,532	-8.4%
iclub Ma Tau Wai Hotel	Kowloon	1,220	1,380	-11.6%
<b>Overall property portfolio</b>		<u><u>22,372</u></u>	<u><u>25,131</u></u>	<u><u>-11.0%</u></u>

The valuations of the property portfolio as at 31st December, 2020 were conducted by CBRE Limited ("CBRE"), the principal valuer of Regal REIT appointed by the trustee of Regal REIT for a term of three years commencing from December 2018 pursuant to the provisions of the REIT Code.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>			
Gross rental revenue	5	860,435	948,685
Gross hotel revenue	5	10,963	26,947
		<u>871,398</u>	<u>975,632</u>
Property and hotel operating expenses		<u>(13,299)</u>	<u>(19,609)</u>
Net rental and hotel income	5	858,099	956,023
Interest income		1,208	1,794
Depreciation	10	(8,267)	(9,450)
Fair value changes on investment properties	11	(2,748,023)	(2,522,605)
Fair value changes on investment properties – right-of-use assets	11	–	(9,438)
REIT Manager fees	6	(93,885)	(104,877)
Trust, professional and other expenses		(10,930)	(10,485)
Finance costs – excluding distributions to Unitholders	7	<u>(220,609)</u>	<u>(318,813)</u>
<b>Loss before tax and distributions to Unitholders</b>		<b>(2,222,407)</b>	<b>(2,017,851)</b>
Income tax expense	8	<u>(87,399)</u>	<u>(84,411)</u>
<b>Loss for the year, before distributions to Unitholders</b>		<b>(2,309,806)</b>	<b>(2,102,262)</b>
Finance costs – distributions to Unitholders		<u>(377,862)</u>	<u>(469,070)</u>
<b>Loss for the year, after distributions to Unitholders</b>		<b><u>(2,687,668)</u></b>	<b><u>(2,571,332)</u></b>
<b>Loss per Unit attributable to Unitholders</b>			
Basic and diluted	9	<u>HK\$(0.709)</u>	<u>HK\$(0.645)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31st December, 2020*

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Loss for the year, before distributions to Unitholders</b>		<b>(2,309,806)</b>	(2,102,262)
<b>Other comprehensive loss</b>			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Loss on revaluation of property	10	(62,952)	(86,337)
Income tax effect	16	<u>10,387</u>	<u>14,246</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		<u>(52,565)</u>	<u>(72,091)</u>
<b>Other comprehensive loss for the year, net of tax</b>		<u>(52,565)</u>	<u>(72,091)</u>
<b>Total comprehensive loss for the year, before distributions to Unitholders</b>		<u><b>(2,362,371)</b></u>	<u>(2,174,353)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31st December, 2020*

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	543,000	614,000
Investment properties	11	21,829,000	24,517,000
Investment properties – right-of-use assets	11	–	21,787
Finance lease receivables		1,584	–
Total non-current assets		22,373,584	25,152,787
<b>Current assets</b>			
Accounts receivable	12	9,361	10,753
Prepayments, deposits and other receivables		6,066	6,065
Due from related companies		358	48
Tax recoverable		3,005	4,465
Finance lease receivables		10,218	–
Restricted cash		88,493	75,977
Cash and cash equivalents		244,017	120,155
Total current assets		361,518	217,463
<b>Total assets</b>		<b>22,735,102</b>	<b>25,370,250</b>
<b>Current liabilities</b>			
Accounts payable	13	60,801	41,332
Deposits received		326	2,926
Due to related companies		961	666
Other payables and accruals		21,489	40,556
Contract liabilities		377	392
Interest-bearing bank borrowings		4,756,330	747,241
Lease liabilities		10,218	9,985
Tax payable		14,055	40,807
Total current liabilities		4,864,557	883,905
<b>Net current liabilities</b>		<b>(4,503,039)</b>	<b>(666,442)</b>
<b>Total assets less current liabilities</b>		<b>17,870,545</b>	<b>24,486,345</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current liabilities, excluding net assets attributable to Unitholders</b>			
Interest-bearing bank borrowings		5,292,390	9,184,192
Lease liabilities		1,584	11,802
Deposits received		2,667	–
Deferred tax liabilities	16	643,044	619,258
Total non-current liabilities		5,939,685	9,815,252
<b>Total liabilities, excluding net assets attributable to Unitholders</b>		<b>10,804,242</b>	10,699,157
<b>Net assets attributable to Unitholders</b>		<b>11,930,860</b>	14,671,093
<b>Number of Units in issue</b>	14	<b>3,257,431,189</b>	3,257,431,189
<b>Net asset value per Unit attributable to Unitholders</b>	15	<b>HK\$3.663</b>	HK\$4.504



## DISTRIBUTION STATEMENT

For the year ended 31st December, 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Loss for the year, before distributions to Unitholders</b>		<b>(2,309,806)</b>	(2,102,262)
Adjustments:			
Difference in accounting rental income and contractual cash rental income		971	(2,261)
Amounts set aside for the furniture, fixtures and equipment reserve	(d)	(11,149)	(36,302)
Amortisation of debt establishment costs		20,876	20,789
Fair value changes on investment properties		2,748,023	2,522,605
Depreciation		8,267	9,450
Deferred tax charges		34,173	33,201
<b>Distributable income for the year</b>	(a) & (b)	<b>491,355</b>	445,220
		HK\$	HK\$
<b>Distributions per Unit:</b>			
Interim	(a)	0.060	0.068
Final	(b) & (c)	0.076	0.056
		<b>0.136</b>	0.124

Notes:

- (a) Pursuant to the Trust Deed, Regal REIT is required to ensure that the total amount distributed to Unitholders shall not be less than 90% of Regal REIT's total distributable income for each financial year. The current policy of the REIT Manager is to distribute to Unitholders no less than 90% of Regal REIT's total distributable income for each financial year. The amount of any distribution for the interim period of each financial year is at the discretion of the REIT Manager. The REIT Manager on this basis made an interim distribution of HK\$0.060 per Unit for the six months ended 30th June, 2020, resulting in a total amount of interim distribution of HK\$195.4 million.
- (b) Pursuant to the Trust Deed, the REIT Manager determines the date (the "**Record Date**") in respect of each distribution period for the purpose of establishing Unitholder entitlements to distributions. The Record Date has been set as 18th May, 2021 in respect of the final distribution for the period from 1st July, 2020 to 31st December, 2020. The final distribution will be paid out to Unitholders on or about 27th May, 2021. The total amount of final distribution to be paid to Unitholders of HK\$247.6 million is arrived at based on the final distribution per Unit of HK\$0.076 and the number of Units expected to be in issue at the Record Date that are entitled to distributions. The total distributions to Unitholders for the year, being the total of the interim distribution of HK\$195.4 million and the final distribution of HK\$247.6 million, amounts to HK\$443.0 million or 90.2% of the total distributable income for the year.
- (c) The final distribution of HK\$0.076 per Unit for the period from 1st July, 2020 to 31st December, 2020, involving an amount of HK\$247.6 million, was resolved and declared by the REIT Manager on 23rd March, 2021. Accordingly, the distribution is not reflected as a distribution payable in the consolidated financial statements and will be reflected in the consolidated financial statements for the year ending 31st December, 2021. The final distribution for the period from 1st July, 2019 to 31st December, 2019 of HK\$182.4 million is included in the amount of distributions paid during the year as reported in the consolidated financial statements.
- (d) Amounts set aside by Regal REIT for the furniture, fixtures and equipment reserve with respect to the Initial Hotels, iclub Wan Chai Hotel, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel aggregated HK\$11.1 million (2019: HK\$36.3 million).

## Notes:

### 1. GENERAL

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

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

### 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code. The consolidated financial statements have been prepared under the historical cost convention, except for property, plant and equipment and investment properties which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars, the functional currency of Regal REIT, and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31st December, 2020, the Group’s current liabilities exceeded its current assets by HK\$4,503,039,000 (2019: HK\$666,442,000). The net current liabilities position was mainly due to the outstanding loans under the 2016 IH Facilities in the principal amount of HK\$4,500,000,000 expiring in September 2021 and the revolving loans of HK\$264,000,000, all 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 and the fair value of the relevant investment properties, the REIT Manager considers the Group would be able to secure a refinancing arrangement with terms customary of this nature, and has adequate resources to meet its liabilities, commitments and funding requirements as and when they fall due within one year from the end of the reporting period. Accordingly, the REIT Manager continues to adopt the going concern basis in preparing the consolidated financial statements.

The basis of preparation and accounting policies adopted in the financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31st December, 2019 except for the adoption of the revised standards as disclosed in note 3 below.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Other than as explained below regarding the impact of the *Conceptual Framework for Financial Reporting 2018* and Amendments to HKAS 1 and HKAS 8, the adoption of the above revised standards has had no significant financial effect on these financial statements.

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

#### 4. OPERATING SEGMENT INFORMATION

Operating segments of the Group are identified on the basis of internal reports covering the components of the Group which are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to segments and assess their performance. Information reported to the Group's chief operating decision-maker, for the above-mentioned purposes, is mainly focused on the segment results related to the nature of properties, namely, the hotel properties and the mixed use property. For management purposes, the two reportable operating segments are (i) the hotel properties segment which invested in the Initial Hotels, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub Ma Tau Wai 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, 2020 are as follows:

	<b>Hotel Properties HK\$'000</b>	<b>Mixed Use Property HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue</b>			
Gross rental revenue	855,434	5,001	860,435
Gross hotel revenue	—	10,963	10,963
Total	<u>855,434</u>	<u>15,964</u>	<u>871,398</u>
<b>Segment results</b>	<u>852,652</u>	<u>5,447</u>	<u>858,099</u>
Fair value changes on investment properties	(2,719,023)	(29,000)	(2,748,023)
Depreciation	—	(8,267)	(8,267)
Interest income			1,208
REIT Manager fees			(93,885)
Trust, professional and other expenses			(10,930)
Finance costs – excluding distributions to Unitholders			<u>(220,609)</u>
Loss before tax and distributions to Unitholders			<u>(2,222,407)</u>

The operating segments of the Group for the year ended 31st December, 2019 were as follows:

	<b>Hotel Properties HK\$'000</b>	<b>Mixed Use Property HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue</b>			
Gross rental revenue	941,479	7,206	948,685
Gross hotel revenue	–	26,947	26,947
Total	<u>941,479</u>	<u>34,153</u>	<u>975,632</u>
<b>Segment results</b>			
	<u>938,892</u>	<u>17,131</u>	956,023
Fair value changes on investment properties	(2,515,605)	(7,000)	(2,522,605)
Fair value changes on investment properties – right-of-use assets	(9,438)	–	(9,438)
Depreciation	–	(9,450)	(9,450)
Interest income			1,794
REIT Manager fees			(104,877)
Trust, professional and other expenses			(10,485)
Finance costs – excluding distributions to Unitholders			<u>(318,813)</u>
Loss before tax and distributions to Unitholders			<u>(2,017,851)</u>

#### **Segment assets and liabilities**

As part of the Group's performance assessment, the fair values of investment properties, property, plant and equipment and investment properties – right-of-use assets are reviewed by the Group's chief operating decision-maker.

As at 31st December, 2020, the Group's segment assets, comprised of the aggregate fair values of the investment properties, property, plant and equipment and investment properties – right-of-use assets in the hotel properties segment and the mixed use property segment, amounted to HK\$21,644,000,000 (2019: HK\$24,324,787,000) and HK\$728,000,000 (2019: HK\$828,000,000), 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, 2020		
	Hotel	Mixed Use	Total
	Properties	Property	
	HK\$'000	HK\$'000	HK\$'000
Capital expenditures	<u>56,473</u>	<u>219</u>	<u>56,692</u>

	Year ended 31st December, 2019		
	Hotel	Mixed Use	Total
	Properties	Property	
	HK\$'000	HK\$'000	HK\$'000
Capital expenditures	<u>45,605</u>	<u>787</u>	<u>46,392</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, 2020, revenue of HK\$855,434,000 (2019: HK\$941,479,000) was derived from the lease of hotel properties to a single lessee which is a related company.

## Geographical information

The Group's investment properties, property, plant and equipment and investment properties – right-of-use assets are all located in Hong Kong.

## 5. NET RENTAL AND HOTEL INCOME

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Gross rental revenue</b>			
Rental income			
Initial Hotels	(a)	710,000	776,000
iclub Wan Chai Hotel – Non-hotel portions		5,001	7,206
iclub Sheung Wan Hotel	(b)	41,000	46,000
iclub Fortress Hill Hotel	(c)	41,000	46,000
iclub Ma Tau Wai Hotel	(d)	61,334	61,166
Other income	(f)	2,100	12,313
		<u>860,435</u>	<u>948,685</u>
Property operating expenses		<u>(3,476)</u>	<u>(3,224)</u>
<b>Net rental income</b>		<u>856,959</u>	<u>945,461</u>
<b>Gross hotel revenue</b>			
Hotel operating expenses	(g)	<u>(9,823)</u>	<u>(16,385)</u>
<b>Net hotel income</b>		<u>1,140</u>	<u>10,562</u>
<b>Net rental and hotel income</b>		<u>858,099</u>	<u>956,023</u>
<b>Revenue from contracts with customers</b>			
Gross hotel revenue	(e)	<u>10,963</u>	<u>26,947</u>
<b>Revenue from other sources</b>			
Gross rental income		<u>860,435</u>	<u>948,685</u>

Notes:

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

	2020 HK\$'000	2019 HK\$'000
Base Rent	710,000	776,000
Variable Rent	–	–
	<u>710,000</u>	<u>776,000</u>



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

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Base Rent	<b>41,000</b>	46,000
Variable Rent	–	–
	<u><b>41,000</b></u>	<u>46,000</u>

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

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Base Rent	<b>41,000</b>	46,000
Variable Rent	–	–
	<u><b>41,000</b></u>	<u>46,000</u>

(d) An analysis of the iclub Ma Tau Wai Hotel rental income is as follows:

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Contractual cash rental income	<b>62,305</b>	58,905
Difference in accounting rental income and contractual cash rental income	<b>(971)</b>	2,261
	<u><b>61,334</b></u>	<u>61,166</u>

(e) Gross hotel revenue is recognised over time.

(f) During the year, the sublease of premises (previously classified as investment properties – right-of-use assets) was extended to 31st December, 2030 and, therefore, was reassessed and classified as a finance lease. Accordingly, the other income was reduced to HK\$2,100,000 as the lease income of HK\$10,383,000 received was not recognised in profit or loss in the current year.

(g) The government subsidies were granted under the Anti-epidemic Fund during the year. There were no unfulfilled conditions relating to these grants.

## 6. REIT MANAGER FEES

	2020 HK\$'000	2019 HK\$'000
Base Fees	68,170	76,045
Variable Fees	25,715	28,832
	<u>93,885</u>	<u>104,877</u>

For the financial year 2020, the REIT Manager elected to receive its Base Fees and Variable Fees in the form of cash.

## 7. FINANCE COSTS – EXCLUDING DISTRIBUTIONS TO UNITHOLDERS

	2020 HK\$'000	2019 HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on interest-bearing bank borrowings	195,197	293,182
Amortisation of debt establishment costs	20,876	20,789
Interest expense on lease liabilities	398	647
	<u>216,471</u>	<u>314,618</u>
Others	4,138	4,195
	<u>220,609</u>	<u>318,813</u>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2020 HK\$'000	2019 HK\$'000
Charge for the year	53,253	51,330
Over provision in prior years	(27)	(120)
Deferred	34,173	33,201
Total tax charge for the year	<u>87,399</u>	<u>84,411</u>

## 9. LOSS PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The calculation of the basic loss per Unit attributable to Unitholders is based on the loss for the year before distributions to Unitholders of HK\$2,309,806,000 (2019: HK\$2,102,262,000) and the weighted average of 3,257,431,189 Units (2019: 3,257,431,189 Units) in issue during the year. The basic loss per Unit attributable to Unitholders for the year amounted to HK\$0.709 (2019: HK\$0.645).

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 (2019: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Authorised investments</b>
	<b>Hotel properties HK\$'000</b>
At 1st January, 2019	709,000
Additions	787
Deficit on revaluation	(86,337)
Depreciation provided during the year	<u>(9,450)</u>
At 31st December, 2019 and 1st January, 2020	<b>614,000</b>
Additions	<b>219</b>
Deficit on revaluation	<b>(62,952)</b>
Depreciation provided during the year	<u><b>(8,267)</b></u>
At 31st December, 2020	<u><b>543,000</b></u>

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 CBRE, an independent property valuer and the principal valuer of Regal REIT, at HK\$543,000,000 as at 31st December, 2020 (2019: HK\$614,000,000). A revaluation deficit of HK\$62,952,000 (2019: HK\$86,337,000) resulting from the valuation as at 31st December, 2020 has been charged to other comprehensive loss.

The carrying amount of the Group's property, plant and equipment would have been HK\$389,095,000 (2019: HK\$395,200,000) had such assets been stated in the consolidated financial statements at cost less accumulated depreciation.

**11. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES – RIGHT-OF-USE ASSETS**

	<u>Authorised investments</u>			<b>Total HK\$'000</b>
	<b>Right-of-use assets HK\$'000</b>	<b>Hotel properties HK\$'000</b>	<b>Commercial properties HK\$'000</b>	
At 1st January, 2019	23,199	26,773,000	221,000	27,017,199
Additions	8,026	–	–	8,026
Fair value changes	(9,438)	(2,515,605)	(7,000)	(2,532,043)
Capital expenditures for the year	–	45,605	–	45,605
At 31st December, 2019 and 1st January, 2020	<b>21,787</b>	<b>24,303,000</b>	<b>214,000</b>	<b>24,538,787</b>
Derecognised during the year	<b>(21,787)</b>	–	–	<b>(21,787)</b>
Fair value changes	–	<b>(2,719,023)</b>	<b>(29,000)</b>	<b>(2,748,023)</b>
Capital expenditures for the year	–	<b>56,473</b>	–	<b>56,473</b>
Other addition	–	<b>3,550</b>	–	<b>3,550</b>
At 31st December, 2020	<b>–</b>	<b>21,644,000</b>	<b>185,000</b>	<b>21,829,000</b>

The Group's investment properties were valued by CBRE at HK\$21,829,000,000 as at 31st December, 2020 (2019: HK\$24,517,000,000).

## 12. ACCOUNTS RECEIVABLE

	2020 HK\$'000	2019 HK\$'000
Difference in accounting rental income and contractual cash rental income	9,213	10,184
Other accounts receivable	<u>148</u>	<u>569</u>
	<u><b>9,361</b></u>	<u><b>10,753</b></u>

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

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

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

## 13. ACCOUNTS PAYABLE

	2020 HK\$'000	2019 HK\$'000
Amounts due to related companies	60,471	41,117
Other accounts payable	<u>330</u>	<u>215</u>
	<u><b>60,801</b></u>	<u><b>41,332</b></u>

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

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

**14. NUMBER OF UNITS IN ISSUE**

	<b>Number of Units</b>	
	<b>2020</b>	2019
At beginning and end of the year	<u><u>3,257,431,189</u></u>	<u><u>3,257,431,189</u></u>

**15. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS**

The net asset value per Unit attributable to Unitholders is calculated by dividing the net assets attributable to Unitholders as at 31st December, 2020 of HK\$11,930,860,000 (2019: HK\$14,671,093,000) by the number of Units in issue of 3,257,431,189 (2019: 3,257,431,189) as at that date.

## 16. 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, 2019	(50,853)	(560,809)	11,359	(600,303)
Deferred tax credited to other comprehensive loss during the year	14,246	–	–	14,246
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	<u>505</u>	<u>(32,641)</u>	<u>(1,065)</u>	<u>(33,201)</u>
Gross deferred tax assets/(liabilities) at 31st December, 2019	<u>(36,102)</u>	<u>(593,450)</u>	<u>10,294</u>	<u>(619,258)</u>
Gross deferred tax assets/(liabilities) at 1st January, 2020	<b>(36,102)</b>	<b>(593,450)</b>	<b>10,294</b>	<b>(619,258)</b>
Deferred tax credited to other comprehensive loss during the year	<b>10,387</b>	–	–	<b>10,387</b>
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	<u>320</u>	<u>(32,718)</u>	<u>(1,775)</u>	<u>(34,173)</u>
Gross deferred tax assets/(liabilities) at 31st December, 2020	<u>(25,395)</u>	<u>(626,168)</u>	<u>8,519</u>	<u>(643,044)</u>

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

## **EMPLOYEES**

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

## **NEW UNITS ISSUED**

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

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

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

## **CORPORATE GOVERNANCE**

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

During the year ended 31st December, 2020, Regal REIT and the REIT Manager have complied with the provisions of the Compliance Manual and, where applicable, the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **PUBLIC FLOAT**

As at 31st December, 2020, based on the information that is publicly available to the REIT Manager and as reported to the Directors of the REIT Manager, more than 25% of the issued Units were held by independent public Unitholders.

## **REVIEW OF RESULTS**

The Disclosure Committee and the Audit Committee of the REIT Manager have reviewed Regal REIT’s consolidated financial statements for the year ended 31st December, 2020, including the accounting principles and practices adopted by Regal REIT, in conjunction with the external auditors of Regal REIT.



## **ISSUANCE OF ANNUAL REPORT**

The Annual Report of Regal REIT for the year ended 31st December, 2020 is expected to be despatched to Unitholders on or about 15th April, 2021.

## **ANNUAL GENERAL MEETING**

An Annual General Meeting of Regal REIT will be convened on Tuesday, 18th May, 2021. The Notice of the Annual General Meeting will be published and sent to the Unitholders, together with the 2020 Annual Report of Regal REIT, in due course.

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

Hong Kong, 23rd March, 2021

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