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REGAL REAL ESTATE INVESTMENT TRUST

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

(Stock Code: 1881)

Managed by



ANNOUNCEMENT OF 2021 INTERIM RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2021 (unaudited) HK\$ million	Six months ended 30th June, 2020 (unaudited) HK\$ million	% Change
Gross rental revenue	289.8	429.9	-32.6%
Gross hotel revenue	5.3	5.2	+1.7%
Net rental and hotel income	288.0	428.5	-32.8%
Loss for the period, before distribution to Unitholders*	(74.5)	(2,096.2)	-96.4%
Core operating profit, excluding fair value changes on investment properties	138.6	192.0	-27.8%
Distributable income for the period attributable to Unitholders	<u>161.7</u>	<u>215.5</u>	-24.9%
Distributable income per Unit	<u>HK\$0.050</u>	<u>HK\$0.066</u>	-24.2%
Distribution per Unit	<u>HK\$0.045</u>	<u>HK\$0.060</u>	-25.0%
Net Asset Value per Unit attributable to Unitholders	As at 30th June, 2021 (unaudited) <u>HK\$3.565</u>	As at 31st Dec., 2020 (audited) <u>HK\$3.663</u>	-2.7%

* Includes revaluation deficit of HK\$213.1 million and HK\$2,288.2 million (after taking into account capital expenditures incurred) as a result of fair value changes on investment properties based on independent valuer appraisals as at 30th June, 2021 and 2020, respectively.

- Net rental and hotel income for the six months ended 30th June, 2021 amounted to HK\$288.0 million, a decrease of 32.8% from the same period in 2020.
- Loss for the period, before distribution to Unitholders, amounted to HK\$74.5 million, as compared to the loss of HK\$2,096.2 million for the corresponding period in 2020.
- The loss recorded for the period was principally attributable to the reduction of HK\$213.1 million in the fair value of Regal REIT's investment property portfolio, based on the market valuations appraised by its principal valuer as of 30th June, 2021, as compared to the appraised value as of 31st December, 2020. For the corresponding period last year, a fair value loss of HK\$2,288.2 million was recorded.
- Core operating profit for the interim period, excluding the revaluation deficit arising from the fair value changes on the investment properties, amounted to HK\$138.6 million, as compared to HK\$192.0 million for the same period in 2020.
- Total distributable income for the period amounted to HK\$161.7 million, as compared to HK\$215.5 million attained for the corresponding period in 2020.
- Interim distribution for the period of HK\$0.045 per Unit, compared to the 2020 interim distribution of HK\$0.060 per Unit.
- During the six months under review, there were only minimal visitors to Hong Kong, with total visitor arrivals having dropped by 99.0% year-on-year.
- The hotels in Hong Kong have had to adjust their business strategies to attract additional long stay and staycation businesses from local client sources. On the other hand, the imposed quarantine requirements have also generated businesses for those hotels that have enrolled in the Hong Kong Government's Designated Quarantine Hotel Scheme.
- Although these businesses have helped to improve room occupancies, the achieved room rates continued to be under pressure due to their different demand characteristics and keen market competition.
- The combined average occupancy of the five Initial Hotels was 47.5%, compared to 37.4% for the same period last year. As their combined average room rate decreased by 32.0%, their combined average RevPAR consequently dropped by 13.7% year-on-year.

- **The iclub Sheung Wan Hotel and iclub Fortress Hill Hotel attained a combined average occupancy of 72.8%. As their combined average room rate was only 0.8% below the level for the same period last year, their combined average RevPAR improved by 7.0% year-on-year.**
- **The iclub Ma Tau Wai Hotel, acquired in September 2017, was leased for an initial term of 5 years with escalating fixed rentals and yielded rental receipts of HK\$32.3 million for the period.**
- **The self-operated iclub Wan Chai Hotel attained an average occupancy of 75.7%. Though its average room rate decreased by 0.3%, its average RevPAR modestly increased by 2.1% year-on-year.**
- **Subsequent to the interim period, in early August 2021, Regal REIT concluded a new 5-year financing facility with a syndicate of banks, which is comprised of a term loan of HK\$4,500.0 million and a revolving loan of up to HK\$500.0 million and secured on four of the Initial Hotels.**
- **As far as Regal REIT is concerned, rental income for the second half of 2021 will remain stable, as substantially all of the hotels within its property portfolio are under leases with pre-determined annual base rents or fixed rent.**
- **The REIT Manager is still positive on the future prospects of Hong Kong and believes that once the borders reopen and the national and international traffic resumes, the tourist and hospitality sectors in Hong Kong should be able to gradually revive.**

FINANCIAL RESULTS

For the six months ended 30th June, 2021, Regal Real Estate Investment Trust (“**Regal REIT**”) recorded an unaudited consolidated loss before distribution to unitholders (the “**Unitholders**”) of HK\$74.5 million, as compared to the loss of HK\$2,096.2 million for the corresponding period in 2020. The loss recorded for the period from 1st January, 2021 to 30th June, 2021 (the “**Interim Period**”) was principally attributable to the reduction of HK\$213.1 million in the fair value of Regal REIT’s investment property portfolio, based on the market valuations appraised by its principal valuer as of 30th June, 2021, as compared to the appraised value as of 31st December, 2020. For the corresponding period last year, a fair value loss of HK\$2,288.2 million was recorded. If these fair value changes are excluded, the core operating profit before distribution to Unitholders for the Interim Period would amount to HK\$138.6 million, as compared to HK\$192.0 million for the same period in 2020.

DISTRIBUTABLE INCOME AND INTERIM DISTRIBUTION FOR 2021

Total distributable income for the Interim Period, after taking into account the various non-cash adjustments, amounted to HK\$161.7 million (equivalent to approximately HK\$0.050 per unit of Regal REIT (the “**Unit**”), as compared to HK\$215.5 million (equivalent to approximately HK\$0.066 per Unit) attained for the corresponding period in 2020.

In accordance with Regal REIT’s policy of distributing no less than 90% of the distributable income, the directors (the “**Directors**”) of Regal Portfolio Management Limited (the “**REIT Manager**”) have declared an interim distribution of HK\$0.045 per Unit for the six months ended 30th June, 2021 (2020 interim distribution - HK\$0.060 per Unit), which represents a distribution ratio of approximately 90.6% for the Interim Period.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Monday, 13th September, 2021 to Thursday, 16th September, 2021, both days inclusive, during which period no transfers of Units will be effected. In order to qualify for the interim distribution for 2021, 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, 10th September, 2021. The relevant distribution warrants are expected to be despatched on or about 29th September, 2021.

HOTEL MARKET AND BUSINESS REVIEW

According to a recent research report by the World Bank Group, the global economy is set to expand strongly in 2021. The recovery is, however, uneven and largely reflects the sharp rebounds in some major economies, most notably the United States, owing to substantial fiscal support. Global manufacturing activity has strengthened, with industrial production surpassing its pre-pandemic level, while the services sector activity, especially travel and tourism, remained soft.

According to preliminary estimates, the Gross Domestic Product (GDP) of China for the first half of 2021 increased by 12.7% year-on-year, which is 5.6 percentage points lower than that of the first quarter of 2021. As the macro policies of the central government of China have been shifting from supporting activity to reducing financial stability risks, future economic growth of China may further moderate.

Benefiting from the improving global economic conditions, there were notable increases in both domestic and external demands for Hong Kong during the period. The seasonally adjusted unemployment rate decreased from 6% in the period from March to May to 5.5% in the period from April to June 2021, which is the fourth consecutive moving three-month period that registered a decline. The underemployment rate also decreased from 2.8% to 2.5% over the same comparative period. Hong Kong's GDP in real terms in the first half of 2021 grew by 7.8% year-on-year, compared with the increase of 8.0% in the first quarter.

During the six months under review, there were only minimal visitors to Hong Kong, with total visitor arrivals, including those from Mainland China, having dropped by 99.0% year-on-year. Based on the information published by the Hong Kong Tourism Board, the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June, 2021 was 56.0%, an increase of 17 percentage points year-on-year, but the average achieved room rate shrank by 8.4%. Although the average Revenue per Available Room (RevPAR) for the period has consequently increased by 31.7% year-on-year, this reflected to a very large extent the effect of the low comparative base in 2020.

As there were minimal inbound visitors, the hotels in Hong Kong have had to adjust their business strategies to attract additional long stay and staycation businesses from local client sources. On the other hand, the imposed quarantine requirements have also generated businesses for those hotels that have enrolled in the Hong Kong Government's Designated Quarantine Hotel Scheme. Although these businesses have helped to improve room occupancies, the achieved room rates continued to be under pressure due to their different demand characteristics and keen market competition.

The five Initial Hotels in Hong Kong owned by Regal REIT, which are operating under the "Regal" brand name, 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. During the Interim Period, the combined average occupancy of the five Initial Hotels was 47.5%, compared to 37.4% for the same period last year. As their combined average room rate decreased by 32.0%, their combined average RevPAR consequently dropped by 13.7% year-on-year. These five hotels generated, for the Interim Period, a pro-rated aggregate base rent of HK\$230.0 million and no variable rent was earned.

Apart from the five Initial Hotels, Regal REIT also owns four other hotel properties in Hong Kong, all under the “iclub by Regal” brand name. The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and is now self-operated by Regal REIT. During the Interim Period, it maintained an average occupancy of 75.7%, which was 1.8 percentage points higher than the same period last year. Though its average room rate decreased by 0.3%, its average RevPAR modestly increased by 2.1% year-on-year. The net property income (“NPI”) from this property, including the lease rentals from the non-hotel portions, for the Interim Period was maintained at substantially the same level as the corresponding period in 2020.

The other three iclub hotels, namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, have also been leased to the same RHIHL lessee. The prevailing annual base rent for 2021 for each of the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, as determined by an independent professional property valuer in accordance with the terms of the leases, was HK\$26.0 million. During the Interim Period, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel attained a combined average occupancy of 72.8%, an increase of 5.3 percentage points as compared to the corresponding period in 2020. As their combined average room rate was only 0.8% below the level for the same period last year, their combined average RevPAR improved by 7.0% year-on-year. The NPI for these two iclub hotels was in each case below its pro-rated base rent and, therefore, only the base rents were earned by Regal REIT. The iclub Ma Tau Wai Hotel was leased to the RHIHL lessee for an initial term of 5 years from September 2017, with escalating fixed rentals at an average yield of 4.5% per annum. For the Interim Period, the iclub Ma Tau Wai Hotel earned fixed rental receipts of HK\$32.3 million.

Subsequent to the Interim Period, in early August 2021, Regal REIT concluded a new 5-year financing facility with a syndicate of banks, which is comprised of a term loan of HK\$4,500.0 million and a revolving loan of up to HK\$500.0 million and secured on four of the Initial Hotels. The new term loan will be wholly used to repay the existing term loan facility in the same principal amount that matures in September 2021. The new revolving loan facility will be reserved for general corporate funding purposes.

BUSINESS OUTLOOK

While the international trade disputes and geopolitical tensions continue to heighten, the outlook for the global economy in the second half of this year is still crowded with uncertainties. Moreover, the Delta variant is causing renewed fears in many countries in the world, as an increasing number of cases infected with this variant is identified in their local communities. On a positive note, vaccination rates are stepping up at a steady pace in many major countries, including Mainland China, which should provide prospects for relief in the future.

Riding on the economic recovery achieved in the first six months, the Government of Hong Kong has recently implemented a relief measure, among other key supportive measures, to distribute a total of HK\$36 billion consumption vouchers to eligible residents in Hong Kong, which should help boost local consumption in the second half of 2021. In the past few months, Hong Kong has been able to successfully contain the spread of the COVID-19 pandemic in the local community. The Government of Hong Kong has also been urging its citizens to participate in its vaccination programme, with a view to achieving herd immunity within the shortest possible time, in order for all social and economic activities to be able to return to normal.

As far as Regal REIT is concerned, rental income for the second half of 2021 will remain stable, as substantially all of the hotels within its property portfolio are under leases with pre-determined annual base rents or fixed rent. The REIT Manager is still positive on the future prospects of Hong Kong and believes that once the borders reopen and the national and international traffic resumes, the tourist and hospitality sectors in Hong Kong should be able to gradually revive.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

During the Interim Period, Regal REIT received aggregate base rent of HK\$230.0 million for the leasing of the Initial Hotels. For the period under review, as the aggregate NPI from hotel operations of the Initial Hotels was only HK\$11.7 million, no variable rent was earned.

For the six months ended 30th June, 2021, iclub Wan Chai Hotel – hotel portion contributed gross hotel revenue of HK\$5.3 million and incurred operating costs and expenses amounting to HK\$5.4 million. For the non-hotel portions comprising retail and commercial premises, rental income of HK\$2.4 million was generated under the leases for the period under review.

During the Interim Period, as the NPI from hotel operations of the iclub Sheung Wan Hotel was HK\$3.4 million, Regal REIT received base rent of HK\$13.0 million for the leasing of this hotel and no variable rent was earned.

During the Interim Period, as the NPI from hotel operations of the iclub Fortress Hill Hotel was HK\$1.4 million, Regal REIT received base rent of HK\$13.0 million for the leasing of this hotel and no variable rent was earned.

For the period ended 30th June, 2021, Regal REIT earned fixed rental income of HK\$30.3 million, recognised on the straight-line basis for the leasing of the iclub Ma Tau Wai Hotel, while cash receipts of HK\$32.3 million were recorded based on the escalating fixed rental amounts for the first five years.

Financial Review

As at 30th June, 2021, 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 Hong Kong Interbank Offered Rate (HIBOR)-based interest margin and, as at 30th June, 2021, had an outstanding amount of HK\$4,515.0 million, representing the full amount of the term loan facility and the revolving loan portion of HK\$15.0 million.

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 30th June, 2021, 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 “**2019 WC Facility**”), with a term of five years to July 2024, was entered into by a wholly-owned subsidiary of Regal REIT on 19th July, 2019. The 2019 WC Facility was secured by the iclub Wan Chai Hotel and bears a HIBOR-based interest margin throughout its term. On 22nd June, 2020, the 2019 WC Facility amount was revised to HK\$405.0 million for purpose of compliance with an undertaking condition in the facility agreement. As at 30th June, 2021, the outstanding amount on the 2019 WC Facility was 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 and has a five year term to October 2023. As at 30th June, 2021, the utilised amount of the 2018 SW Facilities was HK\$790.0 million, representing the full amount of the term loan facility and the revolving loan amount of HK\$158.0 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 bear a HIBOR-based interest margin and has a term of five years to November 2023. As at 30th June, 2021, 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 the 2017 MTW Facility agreement was entered into, with the 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 30th June, 2021, the outstanding amount of the 2020 MTW Facility was HK\$621.0 million, representing the full amount of the term loan facility.

During the Interim Period, the HIBOR market experienced a downward trend with the 1-month HIBOR rate fluctuating within a range of around 0.180% per annum at the high end to around 0.079% per annum at the low end and it was at 0.099% per annum as of 30th June, 2021. During the Interim Period, the interest cost components in respect of all the loan facilities are subject to floating HIBOR-based interest rates. The REIT Manager will continue to monitor the interest rate trends and to assess any needs to contain or hedge the exposure of the floating interest rate against rate hikes.

As at 30th June, 2021, the gearing ratio of Regal REIT was 44.8% (30th June, 2020: 43.3%), being the gross amount of the outstanding loans aggregating HK\$9,991.0 million, which takes into account: (a) the 2016 IH Facilities of HK\$4,515.0 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\$790.0 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\$22,305.3 million. The gearing ratio is below the maximum 50% permitted under the Code on Real Estate Investment Trusts (the “**REIT Code**”).

As at 30th June, 2021, Regal REIT had a total of HK\$32.2 million in unrestricted and HK\$88.7 million in restricted cash balances and bank deposits, and unutilised revolving loan facilities of HK\$1,029.0 million. Regal REIT maintains adequate cash reserves and revolving loan facilities and receives timely payments of rental income to satisfy its financial commitments as well as working capital requirements on an on-going basis.

As at 30th June, 2021, all nine Regal REIT’s properties with an aggregate carrying value of HK\$22,163.0 million were pledged to secure bank loan facilities granted to Regal REIT.

Net Assets Attributable to Unitholders

As at 30th June, 2021, net assets attributable to Unitholders amounted to HK\$11,612.0 million (31st December, 2020: HK\$11,930.9 million), representing net asset value (“**NAV**”) per Unit attributable to Unitholders of HK\$3.565, which was below the NAV of HK\$3.663 per Unit as at 31st December, 2020 mainly due to the decrease in the fair value of the property portfolio.

Valuation of the Property Portfolio

As at 30th June, 2021, Regal REIT's overall property portfolio was valued at HK\$22,163.0 million (31st December, 2020: HK\$22,372.0 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 the iclub Wan Chai Hotel that are classified as investment properties; and (ii) the owner-operated hotel portion of the iclub Wan Chai Hotel which is classified as property, plant and equipment.

Valuations of the properties as at 30th June, 2021 and 31st December, 2020 are tabulated below.

Property	Location	30 Jun 2021 Valuation HK\$ million	31 Dec 2020 Valuation HK\$ million	% Change
<i>Initial Hotels:</i>				
Regal Airport Hotel	Lantau Island	2,165	2,325	-6.9%
Regal Hongkong Hotel	HK Island	3,850	3,863	-0.3%
Regal Kowloon Hotel	Kowloon	5,197	5,220	-0.4%
Regal Oriental Hotel	Kowloon	1,655	1,656	-0.1%
Regal Riverside Hotel	New Territories	4,547	4,556	-0.2%
		17,414	17,620	-1.2%
<i>iclub Hotels:</i>				
iclub Wan Chai Hotel	HK Island	727	728	-0.1%
iclub Sheung Wan Hotel	HK Island	1,400	1,400	—
iclub Fortress Hill Hotel	HK Island	1,402	1,404	-0.1%
iclub Ma Tau Wai Hotel	Kowloon	1,220	1,220	—
Overall property portfolio		22,163	22,372	-0.9%

The valuations of the property portfolio as at 30th June, 2021 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 in December 2018 pursuant to the provisions of the REIT Code.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June, 2021

	Notes	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Revenue			
Gross rental revenue	5	289,793	429,882
Gross hotel revenue	5	5,295	5,208
		295,088	435,090
Property and hotel operating expenses		(7,054)	(6,590)
Net rental and hotel income	5	288,034	428,500
Interest income		150	954
Depreciation	10	(3,871)	(4,291)
Fair value changes on investment properties	11	(213,069)	(2,288,193)
REIT Manager fees	6	(42,474)	(50,943)
Trust, professional and other expenses		(3,917)	(5,765)
Finance costs – excluding distribution to Unitholders	7	(70,984)	(138,503)
Loss before tax and distribution to Unitholders		(46,131)	(2,058,241)
Income tax expense	8	(28,333)	(37,968)
Loss for the period, before distribution to Unitholders		(74,464)	(2,096,209)
Finance costs – distribution to Unitholders		(247,565)	(182,416)
Loss for the period, after distribution to Unitholders		(322,029)	(2,278,625)
Loss per Unit attributable to Unitholders			
Basic and diluted	9	HK\$(0.023)	HK\$(0.644)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2021

	Notes	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Loss for the period, before distribution to Unitholders		(74,464)	(2,096,209)
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Gain/(loss) on revaluation of property	10	3,840	(52,764)
Income tax effect	16	(634)	8,706
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		<u>3,206</u>	<u>(44,058)</u>
Other comprehensive income/(loss) for the period, net of tax		<u>3,206</u>	<u>(44,058)</u>
Total comprehensive loss for the period, before distribution to Unitholders		<u>(71,258)</u>	<u>(2,140,267)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2021

	Notes	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	543,000	543,000
Investment properties	11	21,620,000	21,829,000
Finance lease receivables		—	1,584
Total non-current assets		22,163,000	22,373,584
Current assets			
Accounts receivable	12	7,385	9,361
Prepayments, deposits and other receivables		6,315	6,066
Due from related companies		697	358
Tax recoverable		283	3,005
Finance lease receivables		6,723	10,218
Restricted cash		88,673	88,493
Cash and cash equivalents		32,228	244,017
Total current assets		142,304	361,518
Total assets		22,305,304	22,735,102
Current liabilities			
Accounts payable	13	23,037	60,801
Deposits received		207	326
Due to related companies		446	961
Other payables and accruals		17,205	21,489
Contract liabilities		527	377
Interest-bearing bank borrowings		4,670,839	4,756,330
Lease liabilities		6,723	10,218
Tax payable		17,983	14,055
Total current liabilities		4,736,967	4,864,557
Net current liabilities		(4,594,663)	(4,503,039)
Total assets less current liabilities		17,568,337	17,870,545

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30th June, 2021

	Notes	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing bank borrowings		5,297,452	5,292,390
Lease liabilities		—	1,584
Deposits received		2,667	2,667
Deferred tax liabilities	16	656,181	643,044
Total non-current liabilities		<u>5,956,300</u>	<u>5,939,685</u>
Total liabilities, excluding net assets attributable to Unitholders		<u>10,693,267</u>	<u>10,804,242</u>
Net assets attributable to Unitholders		<u>11,612,037</u>	<u>11,930,860</u>
Number of Units in issue	14	<u>3,257,431,189</u>	<u>3,257,431,189</u>
Net asset value per Unit attributable to Unitholders	15	<u>HK\$3.565</u>	<u>HK\$3.663</u>

DISTRIBUTION STATEMENT

For the six months ended 30th June, 2021

	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Loss for the period, before distribution to Unitholders	(74,464)	(2,096,209)
Adjustments:		
Difference in accounting rental income and contractual cash rental income	1,968	101
Amounts set aside for the furniture, fixtures and equipment reserve ^(d)	(5,791)	(6,435)
Amortisation of debt establishment costs	10,571	10,261
Fair value changes on investment properties	213,069	2,288,193
Depreciation	3,871	4,291
Deferred tax charge	12,503	15,270
Distributable income for the period ^(a)	161,727	215,472
Distribution per Unit ^{(a), (b) & (c)}	HK\$0.045	HK\$0.060

Notes:

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

The amount of any distribution for the interim period of each financial year is at the discretion of the REIT Manager. The REIT Manager has resolved to make an interim distribution of HK\$0.045 per Unit for the six months ended 30th June, 2021 (six months ended 30th June, 2020: HK\$0.060 per Unit).

- (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 16th September, 2021 in respect of the interim distribution for the six months ended 30th June, 2021. The interim distribution will be paid out to Unitholders on or about 29th September, 2021.
- (c) The interim distribution of HK\$0.045 per Unit for the six months ended 30th June, 2021, involving a total distribution of HK\$146.6 million, was resolved and declared by the REIT Manager on 24th August, 2021. Accordingly, the distribution is not reflected as a distribution payable in the condensed consolidated financial statements and will be reflected in the consolidated financial statements for the year ending 31st December, 2021.
- (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\$5.8 million (six months ended 30th June, 2020: HK\$6.4 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.

2. BASIS OF PREPARATION

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

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

As at 30th June, 2021, the Group's current liabilities exceeded its current assets by HK\$4,594,663,000. 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 loan of HK\$15,000,000, all classified under current liabilities as at the end of the reporting period. On 10th August, 2021, the Group concluded a new 5-year financing facility for a term loan of HK\$4,500,000,000 and a revolving loan of up to HK\$500,000,000. Taking into account the new refinancing arrangements and the stable operating cash inflows to be generated from rental income, the REIT Manager considers the Group has adequate resources to meet its liabilities, commitments and funding requirements as and when they fall due within one year from the end of the reporting period. Accordingly, the REIT Manager continues to adopt the going concern basis in preparing the condensed consolidated financial statements.

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2021.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendments to HKFRS 16
Amendments to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid – 19 – Related Rent Concessions

*Covid – 19 – Related Rent Concessions beyond 30th
June, 2021 (early adopted)*

Other than as explained below regarding the impact of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*, the revised standards are not relevant to the preparation of the Group's condensed consolidated financial information. The nature and impact of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 are described below.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 30th June, 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

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 six months ended 30th June, 2021 are as follows:

	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue			
Gross rental revenue	287,380	2,413	289,793
Gross hotel revenue	–	5,295	5,295
Total	<u>287,380</u>	<u>7,708</u>	<u>295,088</u>
Segment results	<u>286,104</u>	<u>1,930</u>	288,034
Fair value changes on investment properties	(212,069)	(1,000)	(213,069)
Depreciation	–	(3,871)	(3,871)
Interest income			150
REIT Manager fees			(42,474)
Trust, professional and other expenses			(3,917)
Finance costs – excluding distribution to Unitholders			<u>(70,984)</u>
Loss before tax and distribution to Unitholders			<u>(46,131)</u>

The operating segments of the Group for the six months ended 30th June, 2020 were as follows:

	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue			
Gross rental revenue	427,551	2,331	429,882
Gross hotel revenue	–	5,208	5,208
Total	<u>427,551</u>	<u>7,539</u>	<u>435,090</u>
Segment results	<u>426,158</u>	<u>2,342</u>	428,500
Fair value changes on investment properties	(2,268,193)	(20,000)	(2,288,193)
Depreciation	–	(4,291)	(4,291)
Interest income			954
REIT Manager fees			(50,943)
Trust, professional and other expenses			(5,765)
Finance costs – excluding distribution to Unitholders			<u>(138,503)</u>
Loss before tax and distribution to Unitholders			<u>(2,058,241)</u>

Segment assets and liabilities

As at 30th June, 2021, 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\$21,436,000,000 (31st December, 2020: HK\$21,644,000,000) and HK\$727,000,000 (31st December, 2020: HK\$728,000,000), respectively.

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

Other segment information

Six months ended 30th June, 2021

	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Capital expenditures	<u>4,069</u>	<u>31</u>	<u>4,100</u>

Six months ended 30th June, 2020

	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Capital expenditures	<u>20,643</u>	<u>55</u>	<u>20,698</u>

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

Information about a major customer

For the six months ended 30th June, 2021, revenue of HK\$287,380,000 (six months ended 30th June, 2020: HK\$427,551,000) was derived from the lease of hotel properties to a single lessee which is a related company.

Geographical information

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

5. NET RENTAL AND HOTEL INCOME

	Notes	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Gross rental revenue			
Rental income			
Initial Hotels	(a)	230,000	355,000
iclub Wan Chai Hotel – Non-hotel portions		2,413	2,331
iclub Sheung Wan Hotel	(b)	13,000	20,500
iclub Fortress Hill Hotel	(c)	13,000	20,500
iclub Ma Tau Wai Hotel	(d)	30,332	30,499
Other income		1,048	1,052
		<u>289,793</u>	<u>429,882</u>
Property operating expenses		<u>(1,596)</u>	<u>(1,742)</u>
Net rental income		<u>288,197</u>	<u>428,140</u>
Gross hotel revenue			
Hotel operating expenses		<u>(5,458)</u>	<u>(4,848)</u>
Net hotel income/(loss)		<u>(163)</u>	<u>360</u>
Net rental and hotel income		<u>288,034</u>	<u>428,500</u>
Revenue from contracts with customers			
Gross hotel revenue	(e)	<u>5,295</u>	<u>5,208</u>
Revenue from other sources			
Gross rental income		<u>289,793</u>	<u>429,882</u>

Notes:

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

	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Base rent	230,000	355,000
Variable rent	—	—
	<u>230,000</u>	<u>355,000</u>

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

	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Base rent	13,000	20,500
Variable rent	—	—
	<u>13,000</u>	<u>20,500</u>

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

	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Base rent	13,000	20,500
Variable rent	—	—
	<u>13,000</u>	<u>20,500</u>

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

	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Contractual cash rental income	32,300	30,600
Difference in accounting rental income and contractual cash rental income	(1,968)	(101)
	<u>30,332</u>	<u>30,499</u>

(e) Gross hotel revenue is recognised over time.

6. REIT MANAGER FEES

	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Base fees	33,805	37,919
Variable fees	<u>8,669</u>	<u>13,024</u>
	<u>42,474</u>	<u>50,943</u>

For the financial years 2021 and 2020, the REIT Manager elected to receive its base fees and variable fees in the form of cash.

7. FINANCE COSTS – EXCLUDING DISTRIBUTION TO UNITHOLDERS

	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on interest-bearing bank borrowings	58,670	126,105
Amortisation of debt establishment costs	10,571	10,261
Interest expense on lease liabilities	<u>112</u>	<u>228</u>
	69,353	136,594
Others	<u>1,631</u>	<u>1,909</u>
	<u>70,984</u>	<u>138,503</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June, 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Current	15,870	22,698
Overprovision in prior years	(40)	–
Deferred	<u>12,503</u>	<u>15,270</u>
Total tax charge for the period	<u>28,333</u>	<u>37,968</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 period before distribution to Unitholders of HK\$74,464,000 (six months ended 30th June, 2020: HK\$2,096,209,000) and the weighted average of 3,257,431,189 Units (six months ended 30th June, 2020: 3,257,431,189 Units) in issue during the period. The basic loss per Unit attributable to Unitholders for the period amounted to HK\$0.023 (six months ended 30th June, 2020: HK\$0.644).

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 period (six months ended 30th June, 2020: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Authorised investments
	Hotel properties
	HK\$'000
At 1st January, 2020	614,000
Additions	219
Deficit on revaluation	(62,952)
Depreciation provided during the year	(8,267)
At 31st December, 2020 (audited) and 1st January, 2021	543,000
Additions	31
Surplus on revaluation	3,840
Depreciation provided during the period	(3,871)
At 30th June, 2021 (unaudited)	543,000

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 CBRE, an independent property valuer and the principal valuer of Regal REIT, at HK\$543,000,000 as at 30th June, 2021 (31st December, 2020: HK\$543,000,000). A revaluation surplus of HK\$3,840,000 (31st December, 2020: deficit of HK\$62,952,000) resulting from the valuation as at 30th June, 2021 has been credited to other comprehensive income (31st December, 2020: charged to other comprehensive loss).

The carrying amount of the Group's property, plant and equipment would have been HK\$386,021,000 (31st December, 2020: HK\$389,095,000) had such assets been stated in the condensed consolidated financial statements at cost less accumulated depreciation.

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

	Right-of-use assets HK\$'000	Authorised investments		
		Hotel properties HK\$'000	Commercial properties HK\$'000	Total HK\$'000
At 1st January, 2020	21,787	24,303,000	214,000	24,517,000
Derecognised during the year	(21,787)	–	–	–
Fair value changes	–	(2,719,023)	(29,000)	(2,748,023)
Capital expenditures for the year	–	56,473	–	56,473
Other addition	–	3,550	–	3,550
At 31st December, 2020 (audited) and 1st January, 2021	–	21,644,000	185,000	21,829,000
Fair value changes	–	(212,069)	(1,000)	(213,069)
Capital expenditures for the period	–	4,069	–	4,069
At 30th June, 2021 (unaudited)	–	21,436,000	184,000	21,620,000

The Group's investment properties were valued by CBRE at HK\$21,620,000,000 as at 30th June, 2021 (31st December, 2020: HK\$21,829,000,000).

12. ACCOUNTS RECEIVABLE

	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Difference in accounting rental income and contractual cash rental income	7,245	9,213
Other accounts receivable	140	148
	7,385	9,361

The difference in accounting rental income and contractual cash rental income is recognised as revenue in the condensed 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

	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Amounts due to related companies	22,835	60,471
Other accounts payable	<u>202</u>	<u>330</u>
	<u>23,037</u>	<u>60,801</u>

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

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

14. NUMBER OF UNITS IN ISSUE

	Number of Units	
	30th June, 2021 (unaudited)	31st December, 2020 (audited)
At beginning and end of the period/year	<u>3,257,431,189</u>	<u>3,257,431,189</u>

15. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per Unit attributable to Unitholders is calculated by dividing the net assets attributable to Unitholders as at 30th June, 2021 of HK\$11,612,037,000 (31st December, 2020: HK\$11,930,860,000) by the number of Units in issue of 3,257,431,189 (31st December, 2020: 3,257,431,189) as at that date.

16. DEFERRED TAX

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

	Fair value adjustments arising from revaluation of property, plant and equipment HK\$'000	Depreciation allowances in excess of related depreciation HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Total HK\$'000
Gross deferred tax assets/(liabilities) at 1st January, 2020	(36,102)	(593,450)	10,294	(619,258)
Deferred tax credited to other comprehensive loss during the year	10,387	–	–	10,387
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	320	(32,718)	(1,775)	(34,173)
Gross deferred tax assets/(liabilities) at 31st December, 2020 (audited)	<u>(25,395)</u>	<u>(626,168)</u>	<u>8,519</u>	<u>(643,044)</u>
Gross deferred tax assets/(liabilities) at 1st January, 2021	(25,395)	(626,168)	8,519	(643,044)
Deferred tax charged to other comprehensive income during the period	(634)	–	–	(634)
Deferred tax credited/(charged) to the condensed consolidated statement of profit or loss during the period	<u>126</u>	<u>(11,583)</u>	<u>(1,046)</u>	<u>(12,503)</u>
Gross deferred tax assets/(liabilities) at 30th June, 2021 (unaudited)	<u>(25,903)</u>	<u>(637,751)</u>	<u>7,473</u>	<u>(656,181)</u>

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

EMPLOYEES

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

NEW UNITS ISSUED

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

BUY-BACK, SALE OR REDEMPTION OF UNITS

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

CORPORATE GOVERNANCE

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

During the Interim Period, Regal REIT and the REIT Manager have complied with the provisions of the Compliance Manual, the Trust Deed and the REIT Code and the relevant provisions of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and, where applicable, the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PUBLIC FLOAT

As at 30th June, 2021, based on information that is publicly available to the REIT Manager and as reported to the Directors of the REIT Manager, more than 25% of the issued Units were held by independent public Unitholders.

REVIEW OF INTERIM RESULTS

Regal REIT's condensed consolidated financial statements for the Interim Period have not been audited, but have been reviewed by Ernst & Young, the external auditors of Regal REIT, whose review report is contained in the Interim Report of Regal REIT for the six months ended 30th June, 2021 to be despatched to Unitholders.

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

ISSUANCE OF INTERIM REPORT

The Interim Report of Regal REIT for the Interim Period is expected to be despatched to Unitholders on or before 10th September, 2021.

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

Hong Kong, 24th August, 2021

As at the date of this announcement, the Board of Directors of the REIT Manager comprises Mr. LO Yuk Sui as Chairman and Non-executive Director; Miss LO Po Man as Vice Chairman and Non-executive Director; Mr. Johnny CHEN Sing Hung and Mr. Simon LAM Man Lim as Executive Directors; Mr. 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.