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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



DEFERMENT OF MARKET RENTAL PACKAGE DETERMINATION

The Board wishes to announce that the determination of the Market Rental Package for the Initial Hotel Properties, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel for the 2023 Lease Year will be deferred by two months and will be determined by no later than 30 November 2022. Save for the deferment as mentioned above, all other terms of the Lease Agreements will remain unchanged.

A. BACKGROUND

This announcement is made pursuant to paragraph 10.3 of the REIT Code.

Reference is made to the previous market rental package determination announcements issued by the Manager in relation to the lease agreements for the Initial Hotel Properties, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel (collectively, the “**Lease Agreements**”), the latest of such announcements being dated 26 November 2021.

Under each of the Lease Agreements, the rental package payable by the lessee shall be determined annually in accordance with the rental review mechanism set out in each Lease Agreement, which states that:

- (i) not less than six months prior to the commencement of each lease year, the relevant lessor and lessee shall jointly appoint an independent professional property valuer (the “**Valuer**”); and
- (ii) no later than three months prior to the commencement of each lease year, the Valuer shall determine, among other things, the market rent for each property (the “**Market Rental Package**”) for that lease year.

B. APPOINTMENT OF VALUER

In accordance with the terms of each of the Lease Agreements, Ms. Stella Ho was jointly appointed as the Valuer and was instructed on 29 June 2022 to conduct a rent review to determine the Market Rental Package for the upcoming lease year from 1 January 2023 to 31 December 2023 (the “**2023 Lease Year**”), based on the assumptions and disregards provided in the relevant Lease Agreement.

Ms. Stella Ho is a Chartered Surveyor with over 20 years’ experience in the valuation of properties of this magnitude and nature in Hong Kong, and is currently an executive director of Colliers International (Hong Kong) Limited, which is the current principal valuer of Regal REIT.

C. DEFERMENT OF MARKET RENTAL PACKAGE DETERMINATION

Under the terms of its appointment, the Valuer shall determine the Market Rental Package for each property for the 2023 Lease Year by no later than 30 September 2022.

However, the present COVID-19 pandemic situation has a negative and on-going impact on the local tourism and hotel industry, with overnight visitors to Hong Kong only amounting to 73,400 for the first half of 2022. Given the present uncertainties with regards to the pandemic which have led to travel restrictions and lockdowns, the Valuer considers the present market data might be distorted and any assessment of the Market Rental Package for the 2023 Lease Year at this stage would necessarily need to adopt certain pessimistic assumptions. Due to the lack of in-bound visitors that historically drive the core lodging demand for the local hotel industry, hoteliers in Hong Kong have shifted their business strategies to attract long stay and staycation business from local customer sources or operated as quarantine hotel or facilities under the various quarantine or isolation schemes organised by the Hong Kong Government. The Valuer has also noted that the Hong Kong Government has recently revised the hotel

quarantine policy for all in-bound travellers in that they can choose to undergo 3 days of medical surveillance at home or at a hotel, and there is no more mandatory hotel quarantine requirement for in-bound visitors. This may have an impact on the basis of assumptions adopted in the market rental determinations, as four of the hotels of Regal REIT included in the present rental determination process are currently operating under the hotel quarantine scheme. Accordingly, the Valuer has recommended to the respective lessors and the lessee that the determination of the Market Rental Package for the 2023 Lease Year be deferred by two months (that is, before 30 November 2022), to allow more time for the Valuer to assess a possibly better and more accurate reflection of the market for the 2023 Lease Year.

The Manager believes that the Valuer's recommendation to defer the determination of the Market Rental Package for the 2023 Lease Year is consistent with the intention of the market rental package review mechanism under the respective Lease Agreements, and is in the interests of Regal REIT and the Unitholders.

The Manager (acting on behalf of the respective lessors) and the lessee have agreed to follow the Valuer's recommendation and, pursuant to the modification clause under the respective Lease Agreements, have signed supplemental letters to allow the Valuer to determine the Market Rental Package for the 2023 Lease Year by no later than 30 November 2022 (the "**Determination Deferment**"). For the avoidance of doubt, the Determination Deferment shall be in respect of the 2023 Lease Year only and all other provisions of the Lease Agreements shall remain unchanged. As the Determination Deferment: (i) only concerns the 2023 Lease Year and is a standalone arrangement; (ii) does not affect the methodology to be applied by the Valuer to determine the Market Rental Package nor the timing of when the same will become effective (that is, 1 January 2023); and (iii) is consistent with the intention of the Market Rental Package review mechanism under the Lease Agreements, the Manager considers that the Determination Deferment does not constitute a material change that would require the Unitholders' approval pursuant to the conditions of the connected party transaction waivers granted in respect of the relevant Lease Agreements.

The Manager shall as soon as practicable after receiving the Valuer's report, and in any event by no later than 30 November 2022, publish an announcement regarding the determination of the Market Rental Package for the 2023 Lease Year.

D. OPINIONS

The Board (including all the independent non-executive directors) (other than Mr. LO Yuk Sui, Miss LO Po Man, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai (who are directors of the lessee and Regal which is the parent company of the lessee) and Mr. Bowen Joseph LEUNG Po Wing, GBS, JP and Mr. Abraham SHEK Lai Him, GBS, JP (who are independent non-executive directors of Paliburg Holdings Limited, being the controlling shareholder of Regal) is of the opinion that the Determination Deferment:

- (i) is on normal commercial terms and at arm's length, fair and reasonable and in the best interests of the independent Unitholders, as well as the Unitholders and Regal REIT as a whole;
- (ii) is consistent with the investment objectives and strategy of Regal REIT; and
- (iii) does not require the approval of the Unitholders under the REIT Code or the Trust Deed, for the reasons stated above.

Based on the sole opinion of the Board in this announcement and the information and assurances provided by the Manager, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code:

- (i) is of the view that the Determination Deferment: (a) is on normal commercial terms, fair and reasonable and in the interests of the independent Unitholders, as well as the Unitholders and Regal REIT as a whole; (b) is consistent with the investment policy of Regal REIT and in compliance with the REIT Code and the Trust Deed; and (c) does not require the approval of the Unitholders under the REIT Code or the Trust Deed; and
- (ii) has no objection to the Manager proceeding with the Determination Deferment.

E. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“2023 Lease Year”	has the meaning ascribed to it under section B of this announcement;
“Board”	means the board of directors of the Manager;
“connected person”	has the meaning ascribed to it under the REIT Code;
“Determination Deferment”	has the meaning ascribed to it under section C of this announcement;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“iclub Fortress Hill Hotel”	means the hotel situated at 18 Merlin Street, North Point, Hong Kong;
“iclub Sheung Wan Hotel”	means the hotel situated at 138 Bonham Strand, Sheung Wan, Hong Kong;
“Initial Hotel Properties”	has the meaning ascribed to it under the Offering Circular;
“Lease Agreements”	has the meaning ascribed to it under section A of this announcement;
“Manager”	means Regal Portfolio Management Limited, in its capacity as the manager of Regal REIT;
“Market Rental Package”	has the meaning ascribed to it under section A of this announcement;
“Offering Circular”	means the offering circular dated 19 March 2007 issued in relation to the listing of the units of Regal REIT on The Stock Exchange of Hong Kong Limited by way of global offering;
“Regal”	means Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 78) and a connected person of Regal REIT;

“Regal REIT”	means Regal Real Estate Investment Trust;
“REIT Code”	means the Code on Real Estate Investment Trusts published by the Securities and Futures Commission, as amended, supplemented or otherwise modified from time to time;
“Trust Deed”	means the trust deed constituting Regal REIT entered into between the Trustee and the Manager, as amended, supplemented or otherwise modified from time to time;
“Trustee”	means DB Trustees (Hong Kong) Limited, in its capacity as the trustee of Regal REIT;
“Unitholder(s)”	means any person(s) registered as holding unit(s) of Regal REIT; and
“Valuer”	has the meaning ascribed to it under section A of this announcement.

By Order of the Board
Regal Portfolio Management Limited
(as manager of Regal Real Estate Investment Trust)
Simon LAM Man Lim
Executive Director

Hong Kong, 28 September 2022

As at the date of this announcement, the Board 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 Mr. Abraham SHEK Lai Him, GBS, JP as Independent Non-executive Directors.