

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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



2021 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL AND BUSINESS HIGHLIGHTS

For the year ended 31st December, 2021

	2021 HK\$ million	2020 HK\$ million	% Change
Gross rental revenue	581.0	860.4	-32.5%
Gross hotel revenue	12.5	11.0	+14.1%
Net rental and hotel income	578.9	858.1	-32.5%
Profit/(loss) for the year, before distributions to Unitholders*	577.1	(2,309.8)	N/A
Core profit, excluding fair value changes on investment properties	267.8	438.2	-38.9%
Distributable income for the year attributable to Unitholders	<u>310.8</u>	<u>491.4</u>	-36.7%
Total assets	<u>22,912.5</u>	<u>22,735.1</u>	+0.8%
Net assets attributable to Unitholders	<u>12,146.9</u>	<u>11,930.9</u>	+1.8%
Final distribution per Unit	<u>HK\$0.041</u>	<u>HK\$0.076</u>	-46.1%
Total distributions per Unit	<u>HK\$0.086</u>	<u>HK\$0.136</u>	-36.8%
Net Asset Value per Unit attributable to Unitholders	<u>HK\$3.729</u>	<u>HK\$3.663</u>	+1.8%

* Includes revaluation surplus of HK\$309.3 million and deficit of HK\$2,748.0 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, 2021 and 31st December, 2020, respectively.

- Net rental and hotel income amounted to HK\$578.9 million (2020: HK\$858.1 million).
- Profit for the year, before distributions to Unitholders, amounted to HK\$577.1 million (2020: loss of HK\$2,309.8 million), including fair value gain of HK\$309.3 million (2020: fair value loss of HK\$2,748.0 million) arising from the changes in the appraised values of the investment properties.
- Core profit, excluding the fair value changes on investment properties, amounted to HK\$267.8 million (2020: HK\$438.2 million).
- Total distributable income amounted to HK\$310.8 million, as compared to the HK\$491.4 million reported in 2020. The decrease was mainly attributable to the reduction in the overall rental income due to the adverse impact on the hospitality industry caused by the global COVID-19 pandemic.
- As at 31st December, 2021, net assets attributable to Unitholders amounted to HK\$12,146.9 million, representing a net asset value of HK\$3.729 per Unit (31st December, 2020: HK\$3.663 per Unit).
- Final distribution of HK\$0.041 per Unit for 2021 (2020: HK\$0.076 per Unit). Total distributions will amount to HK\$0.086 per Unit for 2021 (2020: total distributions of HK\$0.136 per Unit), representing a payout ratio of 90.1% of the total distributable income for 2021 (2020: 90.2%).
- 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 2022 was completed in November 2021, with the aggregate annual base rent determined to be HK\$475.0 million, which was HK\$15.0 million above the aggregate base rent for 2021.
- The market rental reviews for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel were also concluded in November 2021, with their base rents determined to be HK\$27.0 million each, a slight increase of HK\$1.0 million above their respective annual base rents for 2021.

- **The iclub Ma Tau Wai Hotel is still within the 5-year fixed rental term that ends in early September 2022. In December 2021, the REIT Manager exercised the option granted to it under the existing lease agreement to extend the lease term to 31st December, 2027, with the rentals in the extended term to be based on independent annual market rental reviews.**
- **As a close supporter of the Hong Kong Government’s anti-epidemic workforce since April 2020, the four hotels that were operating as quarantine hotels under the Designated Quarantine Hotel Scheme and, more recently, the Regal Kowloon Hotel enrolled to operate as hotels under the Community Isolation Facility (“CIF”) Hotel Scheme, commencing at different times from late February to mid-March 2022, for terms of three months. Due to the change in recent circumstances, the usages of these five hotels have been changed to serve as quarantine hotel facilities or other anti-pandemic purposes designated by the Government under the terms of the relevant CIF contracts.**
- **It is expected that the fifth wave of the epidemic will continue to adversely affect the economy of Hong Kong, at least for the first half of 2022. However, the rental reviews for the five Initial Hotels and two iclub Hotels for 2022 were completed in November 2021 and, therefore, the rental levels determined have not been impacted by the fifth wave of the pandemic that emerged in early January this year.**
- **With its unique role in the overall development of the Greater Bay Area, Hong Kong will continue to be a vibrant and resilient hub to connect with the Mainland in terms of capital investments, international trade and the provision of professional services. Accordingly, the REIT Manager remains confident on the future prospects of Hong Kong’s tourism and hotel industry.**

FINANCIAL RESULTS

For the year ended 31st December, 2021, Regal Real Estate Investment Trust (“**Regal REIT**”) recorded a consolidated profit before distributions to unitholders of Regal REIT (the “**Unitholders**”) of HK\$577.1 million, as compared to a loss of HK\$2,309.8 million for the financial year 2020. The profit recorded for the year under review included a fair value gain of HK\$309.3 million arising from the increase in the appraised values of Regal REIT’s investment property portfolio, after accounting for the additional capital expenditures incurred, while for the comparative year in 2020, a fair value loss of HK\$2,748.0 million was recorded. If the effects of the fair value changes are excluded, the core profit before distributions to Unitholders for 2021 would amount to HK\$267.8 million, as compared to HK\$438.2 million for the preceding year.

Total distributable income for the year under review amounted to HK\$310.8 million, as compared to HK\$491.4 million reported in 2020. The decrease in the total distributable income was mainly attributable to the reduction in the overall rental income due to the adverse impact on the hospitality industry caused by the global COVID-19 pandemic.

The board of directors (the “**Directors**”) of Regal Portfolio Management Limited (the “**REIT Manager**”) has resolved to declare a final distribution of HK\$0.041 per unit of Regal REIT (the “**Unit**”) for the year ended 31st December, 2021 (2020: HK\$0.076). Together with the interim distribution of HK\$0.045 (2020: HK\$0.060) per Unit paid, this brings the total distributions per Unit for 2021 to HK\$0.086, which is 36.8% lower than the total distributions of HK\$0.136 per Unit in 2020. Total distributions for the year, including both the interim and final distributions, will amount to HK\$280.1 million (2020: HK\$443.0 million) and represent a payout ratio of 90.1% of the total distributable income for 2021 (2020: 90.2%).

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Friday, 13th May, 2022 to Wednesday, 18th May, 2022, 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 Thursday, 12th May, 2022. The relevant distribution warrants are expected to be despatched on or about 26th May, 2022.

HOTEL MARKET AND BUSINESS REVIEW

Based on a recent publication by the World Bank Group, global growth was estimated to have rebounded by 5.5% in 2021 but is expected to decelerate to 4.1% in 2022. This reflects the continuing concerns over the spread of the COVID-19 variants, the anticipated tapering of fiscal support in major economies and the bottlenecks in the global supply chain. On the other hand, due to the recoveries in demands and the increases in commodity prices, there were rising inflationary pressures in most countries during the year. In China, after attaining an estimated year-on-year increase of 8.1% in its Gross Domestic Product (**GDP**) in 2021, its economic growth is also expected to moderate in 2022, amid the lingering effects of the pandemic and the tighter regulations imposed by the central government on various business sectors. As a typical open economy, Hong Kong has always been influenced by the shifting dynamics of the global economic recovery as well as the macro policy adjustments of Mainland China. In 2021, Hong Kong recorded a growth of 6.4% in its GDP as compared to 2020.

Despite the fact that the COVID-19 pandemic was under control in Hong Kong for most part of 2021, the imposition of stringent travel restrictions continued and the number of visitor arrivals in 2021 stayed at an extremely low level. For the whole year of 2021, there were only 91,400 visitors to Hong Kong, including 65,700 visitors from Mainland China, which reflected a decline of 97.6% year-on-year and represented only a minute fraction of the pre-pandemic levels.

Based on the hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories in 2021 was 63.0%, an increase of 17.0 percentage points from 2020, while the industry-wide average room rate dropped by 3.0%, with the average Revenue per Available Room (“**RevPAR**”) having overall increased by 32.8% year-on-year.

Faced with the extremely difficult operating environment, the hotel operators in Hong Kong have during the year adapted to an adjusted business strategy to focus on staycation and long stay businesses in the domestic market, while some hotels have joined the Designated Quarantine Hotel Scheme (“**DQHS**”) implemented by the Hong Kong Government to provide hotel quarantine facilities mostly for returning residents. Accordingly, due to the varied operating structure, the industry averages recorded for 2021 should only serve for general reference and may not be appropriate to be taken for direct comparison against previous operating periods, particularly, those which were pre-COVID.

To fulfil our corporate social responsibility in supporting the Hong Kong Government’s initiatives to combat the pandemic, four of our hotels, namely, the Regal Airport Hotel, the Regal Oriental Hotel, the iclub Ma Tau Wai Hotel and the iclub Fortress Hill Hotel enrolled in different cycles of the DQHS in 2021. Therefore, the operating statistics of the hotels owned by Regal REIT for 2021 highlighted below should bear reference to the changes in the operating mode of certain of these hotels.

As mentioned previously, with the exception of the iclub Wan Chai Hotel which is owned and self-operated by Regal REIT, all the five Initial Hotels and the other three iclub Hotels owned by Regal REIT are leased to a wholly-owned subsidiary of Regal Hotels International Holdings Limited (“**RHIHL**”), the intermediate listed holding company of Regal REIT, for hotel operations.

During the year, the Initial Hotels operated under two different business modes, as indicated above. Three of them, namely, the Regal Hongkong Hotel, the Regal Kowloon Hotel and the Regal Riverside Hotel, were operating normal hotel businesses catering to the local market while the other two were operating as quarantine hotels under the DQHS. The combined average occupancy rate for the Initial Hotels in 2021 was 57.3%, as compared to 37.2% in the prior year. Although their combined average room rate decreased by 12.9%, their average RevPAR on the whole improved by 34.1% year-on-year. The five Initial Hotels generated aggregate base rents of HK\$460.0 million in 2021.

The market rental review for the Initial Hotels for 2022 was completed in November 2021. The aggregate annual base rent for the five hotels for 2022 was determined to be HK\$475.0 million, which was HK\$15.0 million above the aggregate base rent for 2021, with variable rent continuing to be based on 50% sharing of the excess of the aggregate net property income (“NPI”) of the Initial Hotels over the aggregate base rent.

In addition to 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 all operating in Hong Kong.

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 in 2021 was 82.0%, as compared to 73.9% in 2020. Over the same comparative period, its average room rate increased by 3.1%, with its average RevPAR consequently improved by 14.4% year-on-year. This hotel generated a modest gross operating profit during the year.

As for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, their combined average occupancy rate for the year was 77.7%, which was 5.6 percentage points above the level in 2020. At the same time, their combined average room rate also increased by 6.7%, resulting in a year-on-year growth of 15.1% in their average combined RevPAR. In 2021, these two hotels generated aggregate rental receipts of HK\$52.0 million, representing the base rents receivable under their respective market rental packages.

Same as with 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 2021, the base rent for 2022 for each of these two hotels was determined to be HK\$27.0 million, which is a slight increase of HK\$1.0 million above their respective annual base rents in 2021. 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 5-year fixed rental term that ends in early September 2022. In December 2021, the REIT Manager exercised the option granted to it under the existing lease agreement to extend the lease term to 31st December, 2027, with the rentals in the extended term to be based on independent annual market rental reviews. For the year under review, this hotel earned cash rentals of HK\$65.7 million.

As reported previously, Regal REIT concluded in August 2021 a new 5-year financing facility with a syndicate of banks, which is comprised of a term loan of HK\$4,500.0 million together with a revolving loan of up to HK\$500.0 million and the total facility is secured by four of the Initial Hotels. The new term loan was used to repay the previous term loan facility in the same principal amount that matured in September 2021. The new revolving loan facility will be reserved for general corporate funding purposes.

BUSINESS OUTLOOK

The global outlook is clouded by various downside risks, including possible renewed outbreaks of the COVID-19 pandemic, the possibility of de-anchored inflation pressures and their potential impact on the interest rates environment and, most recently, the heated geopolitical tensions in Eastern Europe.

In early January this year, the Omicron variant started the fifth wave of the epidemic in Hong Kong and the Hong Kong Government has since introduced increasingly stringent social distancing measures in the local community. Despite these stringent control measures, the local infection numbers during the past two months have continued to soar. These have seriously affected the normal social and economic activities in Hong Kong, and many businesses particularly those in the food and beverage, retail and some services sectors have had to close down temporarily or permanently.

In February 2022, the Hong Kong Government requested the hotel operators in Hong Kong to participate in the Community Isolation Facility (“CIF”) Hotel Scheme, which aimed to provide, in the short term, the much needed accommodation to isolate people who were tested positive for COVID-19 but who were asymptomatic or having only mild symptoms. As a close supporter of the Hong Kong Government’s anti-epidemic workforce since April 2020, the four hotels that were operating as quarantine hotels under the DQHS and, more recently, the Regal Kowloon Hotel enrolled to operate as hotels under the CIF Hotel Scheme, commencing at different times from late February to mid-March 2022, for terms of three months. Due to the change in recent circumstances, the usages of these five hotels have been changed to serve as quarantine hotel facilities or other anti-pandemic purposes designated by the Government under the terms of the relevant CIF contracts.

It is expected that the fifth wave of the epidemic will continue to adversely affect the economy of Hong Kong, at least for the first half of 2022. Under the present circumstances, the plans for the gradual resumption of the international traffic as well as the re-opening of the Mainland border will unavoidably be delayed. Until the fifth wave of the epidemic is well under control and the traffic in and out of Hong Kong can return to normal, the outlooks for the tourist and hospitality industries and, indeed, the overall economy of Hong Kong in the short term cannot be optimistic.

As far as Regal REIT is concerned, all of its properties leased to RHIHL group are secured by lease guarantees provided by RHIHL itself, while the annual market rental review feature can provide shelter to Regal REIT from short term market fluctuations during the course of a year. In this regard, the rental reviews for the five Initial Hotels and two iclub Hotels for 2022 were completed in November 2021 and, therefore, the rental levels determined have not been impacted by the fifth wave of the pandemic that emerged in early January this year.

Viewed from a longer term perspective, and with the support from the central government of China, as stated in its 14th Five-Year Plan, Hong Kong should still have plenty of business opportunities through building itself as a center for innovation and technology, a center for cultural and artistic exchanges, a trade center for intellectual property rights and as well as its strengthening position as an international aviation hub.

With its unique role in the overall development of the Greater Bay Area, Hong Kong will continue to be a vibrant and resilient hub to connect with the Mainland in terms of capital investments, international trade and the provision of professional services. Accordingly, the REIT Manager remains confident on the future prospects of Hong Kong’s tourism and hotel industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

During the year under review, Regal REIT received aggregate base rent in cash of HK\$460.0 million from Favour Link International Limited for the leases of the Initial Hotels. For the year, the aggregate NPI from hotel operations of the Initial Hotels only amounted to HK\$104.5 million. As this fell short of the aggregate base rent of HK\$460.0 million, therefore, no variable rent was earned.

iclub Wan Chai Hotel – hotel portion contributed gross hotel revenue of HK\$12.5 million and incurred operating costs and expenses amounting to HK\$11.4 million. iclub Wan Chai Hotel – non-hotel portions generated rental income of HK\$5.7 million for the year under review.

During the year ended 31st December, 2021, Regal REIT received base rent of HK\$26.0 million for the leasing of the iclub Sheung Wan Hotel. As the NPI from hotel operations of the iclub Sheung Wan Hotel was HK\$9.2 million, which fell short of the base rent of HK\$26.0 million, no variable rent was earned.

During the year ended 31st December, 2021, Regal REIT received base rent of HK\$26.0 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\$5.2 million, no variable rent was earned.

During the year ended 31st December, 2021, Regal REIT received rentals of HK\$65.7 million, which was recognised as pro-rated fixed rental income of HK\$61.2 million on the straight-line basis, from the leasing of the iclub Ma Tau Wai Hotel.

Financial Review

As at 31st December, 2021, Regal REIT's loan facilities aggregating HK\$10,520.0 million, with varying maturity terms, were comprised of: (a) term and revolving loan facilities of up to HK\$5,000.0 million secured by four of the five Initial Hotels; (b) a term loan facility of HK\$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.

The 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**”), contracted on 12th September, 2016 through Regal REIT's wholly-owned subsidiaries, were secured by four of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. On 10th August, 2021, a new 5-year financing facility comprised of a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$500.0 million and secured by the same four Initial Hotels (the “**2021 IH Facilities**”) was concluded. The new term loan facility was applied to repay the previous term loan facility in the same principal amount that matured in September 2021. The new revolving loan facility is reserved for general corporate funding purposes. The 2021 IH Facilities carry interest based on Hong Kong Interbank Offered Rate (**HIBOR**). As at 31st December, 2021, the 2021 IH Facilities had outstanding amount of HK\$4,590.0 million, representing the full amount of the term loan facility and an amount of HK\$90.0 million under the revolving loan facility.

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 HIBOR-based interest and has a term of five years to March 2023. As at 31st December, 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 HIBOR-based interest throughout its term and its principal amount was revised to HK\$405.0 million on 22nd June, 2020 for purpose of compliance with an undertaking in the facility agreement. As at 31st December, 2021, the outstanding facility amount of 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 bear HIBOR-based interest with five years term to October 2023. As at 31st December, 2021, the utilised amount of the 2018 SW Facilities was HK\$790.0 million, representing the full amount of the term loan facility and a revolving loan amount of HK\$158.0 million.

On 29th November, 2018, Regal REIT, 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 HIBOR-based interest and have a term of five years to November 2023. As at 31st December, 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 HIBOR-based interest. On 27th August, 2020, a supplement to 2017 MTW Facility agreement was entered into to amend the principal loan amount to HK\$621.0 million for a new term of three years to September 2023 (the “**2020 MTW Facility**”). As at 31st December, 2021, the outstanding amount of the 2020 MTW Facility was HK\$621.0 million, representing the full amount of the term loan facility.

The interest cost components in respect of all the loan facilities of Regal REIT are presently subject to floating HIBOR-based interest margins. During the year under review, the HIBOR rates remained at relatively low levels with the 1-month HIBOR rate fluctuating within a narrow range of around 0.211% per annum at the high end to around 0.062% per annum at the low end and it was at 0.159% per annum as of 31st December, 2021. While the US Federal Reserve commenced the long-anticipated interest rate hike in March 2022, its impacts on the Hong Kong interest rates have yet to be reflected due to the abundance of liquidity in the Hong Kong monetary system and presence of other market attributes. Nevertheless, the REIT Manager will continue to monitor the interest rate trends and to assess options and means to contain or hedge the exposure of the floating interest rate against rate hikes.

As at 31st December, 2021, the gearing ratio of Regal REIT was 43.9% (2020: 44.3%), being the gross amount of the outstanding loans aggregating HK\$10,066.0 million, which takes into account: (a) the 2021 IH Facilities of HK\$4,590.0 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\$22,912.5 million. The gearing ratio is below the maximum 50% permitted under the Code on Real Estate Investment Trusts (the “**REIT Code**”).

Regal REIT had a total of HK\$54.2 million in unrestricted and HK\$99.2 million in restricted cash balances and bank deposits, and unutilised revolving loan facilities of HK\$454.0 million as at 31st December, 2021. 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, 2021, all nine Regal REIT properties with an aggregate carrying value of HK\$22,724.0 million were pledged to secure bank loan facilities granted to Regal REIT.

Valuation of the Property Portfolio

As at 31st December, 2021, Regal REIT's overall property portfolio was valued at HK\$22,724.0 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 iclub Wan Chai Hotel that are classified as investment properties for an aggregate amount of HK\$22,149.0 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\$575.0 million.

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

Property	Location	31 Dec 2021 Valuation HK\$ million	31 Dec 2020 Valuation HK\$ million	% Change
<i>Initial Hotels:</i>				
Regal Airport Hotel	Lantau Island	1,970	2,325	-15.3%
Regal Hongkong Hotel	HK Island	4,040	3,863	4.6%
Regal Kowloon Hotel	Kowloon	5,480	5,220	5.0%
Regal Oriental Hotel	Kowloon	1,700	1,656	2.7%
Regal Riverside Hotel	New Territories	4,660	4,556	2.3%
		17,850	17,620	1.3%
<i>iclub Hotels:</i>				
iclub Wan Chai Hotel	HK Island	767	728	5.4%
iclub Sheung Wan Hotel	HK Island	1,416	1,400	1.1%
iclub Fortress Hill Hotel	HK Island	1,441	1,404	2.6%
iclub Ma Tau Wai Hotel	Kowloon	1,250	1,220	2.5%
Overall property portfolio		22,724	22,372	1.6%

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue			
Gross rental revenue	5	581,037	860,435
Gross hotel revenue	5	12,507	10,963
		<u>593,544</u>	<u>871,398</u>
Property and hotel operating expenses		<u>(14,628)</u>	<u>(13,299)</u>
Net rental and hotel income	5	578,916	858,099
Interest income		297	1,208
Depreciation	10	(7,710)	(8,267)
Fair value changes on investment properties	11	309,281	(2,748,023)
REIT Manager fees	6	(86,112)	(93,885)
Trust, professional and other expenses		(11,522)	(10,930)
Finance costs – excluding distributions to Unitholders	7	<u>(151,419)</u>	<u>(220,609)</u>
Profit/(loss) before tax and distributions to Unitholders		631,731	(2,222,407)
Income tax expense	8	<u>(54,644)</u>	<u>(87,399)</u>
Profit/(loss) for the year, before distributions to Unitholders		577,087	(2,309,806)
Finance costs – distributions to Unitholders		<u>(394,149)</u>	<u>(377,862)</u>
Profit/(loss) for the year, after distributions to Unitholders		182,938	(2,687,668)
Earnings/(loss) per Unit attributable to Unitholders			
Basic and diluted	9	<u>HK\$0.177</u>	<u>HK\$(0.709)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Profit/(loss) for the year, before distributions to Unitholders		577,087	(2,309,806)
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	39,656	(62,952)
Income tax effect	16	(6,543)	10,387
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		33,113	(52,565)
Other comprehensive income/(loss) for the year, net of tax		33,113	(52,565)
Total comprehensive income/(loss) for the year, before distributions to Unitholders		610,200	(2,362,371)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	10	575,000	543,000
Investment properties	11	22,149,000	21,829,000
Finance lease receivables		13,819	1,584
Total non-current assets		22,737,819	22,373,584
Current assets			
Accounts receivable	12	4,919	9,361
Prepayments, deposits and other receivables		6,930	6,066
Due from related companies		1,419	358
Tax recoverable		1,182	3,005
Finance lease receivables		6,821	10,218
Restricted cash		99,233	88,493
Cash and cash equivalents		54,152	244,017
Total current assets		174,656	361,518
Total assets		22,912,475	22,735,102
Current liabilities			
Accounts payable	13	32,105	60,801
Deposits received		208	326
Due to related companies		401	961
Other payables and accruals		25,036	21,489
Contract liabilities		440	377
Interest-bearing bank borrowings		248,000	4,756,330
Lease liabilities		6,821	10,218
Tax payable		18,118	14,055
Total current liabilities		331,129	4,864,557
Net current liabilities		(156,473)	(4,503,039)
Total assets less current liabilities		22,581,346	17,870,545

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing bank borrowings		9,744,044	5,292,390
Lease liabilities		13,819	1,584
Deposits received		2,667	2,667
Deferred tax liabilities	16	673,905	643,044
Total non-current liabilities		<u>10,434,435</u>	<u>5,939,685</u>
Total liabilities, excluding net assets attributable to Unitholders		<u>10,765,564</u>	<u>10,804,242</u>
Net assets attributable to Unitholders		<u>12,146,911</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\$3.729</u>	<u>HK\$3.663</u>

DISTRIBUTION STATEMENT

For the year ended 31st December, 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Profit/(loss) for the year, before distributions to Unitholders		577,087	(2,309,806)
Adjustments:			
Difference in accounting rental income and contractual cash rental income		4,538	971
Amounts set aside for the furniture, fixtures and equipment reserve	(d)	(15,348)	(11,149)
Amortisation of debt establishment costs		21,824	20,876
Fair value changes on investment properties		(309,281)	2,748,023
Depreciation		7,710	8,267
Deferred tax charges		24,318	34,173
Distributable income for the year	(a) & (b)	310,848	491,355
		HK\$	HK\$
Distributions per Unit:			
Interim	(a)	0.045	0.060
Final	(b) & (c)	0.041	0.076
		0.086	0.136

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\$0.045 per Unit for the six months ended 30th June, 2021, resulting in a total amount of interim distribution of HK\$146.6 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, 2022 in respect of the final distribution for the period from 1st July, 2021 to 31st December, 2021. The final distribution will be paid out to Unitholders on or about 26th May, 2022. The total amount of final distribution to be paid to Unitholders of HK\$133.5 million is arrived at based on the final distribution per Unit of HK\$0.041 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\$146.6 million and the final distribution of HK\$133.5 million, amounts to HK\$280.1 million or 90.1% of the total distributable income for the year.
- (c) The final distribution of HK\$0.041 per Unit for the period from 1st July, 2021 to 31st December, 2021, involving an amount of HK\$133.5 million, was resolved and declared by the REIT Manager on 31st March, 2022. 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, 2022. The final distribution for the period from 1st July, 2020 to 31st December, 2020 of HK\$247.6 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\$15.3 million (2020: HK\$11.1 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, 2021, the Group’s current liabilities exceeded its current assets by HK\$156,473,000 (2020: HK\$4,503,039,000). The net current liabilities position was mainly due to the revolving loans of HK\$248,000,000 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 Group’s unutilised revolving loan facilities, the REIT Manager considers the Group has adequate resources to meet its liabilities, commitments and funding requirements as and when they fall due within one year from the end of the reporting period. Accordingly, the REIT Manager continues to adopt the going concern basis in preparing the consolidated financial statements.

The basis of preparation and accounting policies adopted in the financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31st December, 2021 except for the adoption of the revised standards as disclosed in note 3 below.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30th June, 2021 (early adopted)</i>

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 in the event that the existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The 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.

As at 31st December, 2021, the Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the HIBOR. With HIBOR continues to exist, the Group expects the interest rate benchmark reform will not have any impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments 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 year ended 31st December, 2021 are as follows:

	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Segment revenue			
Gross rental revenue	575,279	5,758	581,037
Gross hotel revenue	–	12,507	12,507
Total	<u>575,279</u>	<u>18,265</u>	<u>593,544</u>
Segment results	<u>572,709</u>	<u>6,207</u>	<u>578,916</u>
Fair value changes on investment properties	302,281	7,000	309,281
Depreciation	–	(7,710)	(7,710)
Interest income			297
REIT Manager fees			(86,112)
Trust, professional and other expenses			(11,522)
Finance costs – excluding distributions to Unitholders			<u>(151,419)</u>
Profit before tax and distributions to Unitholders			<u>631,731</u>

The operating segments of the Group for the year ended 31st December, 2020 were as follows:

	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Segment revenue			
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>
Segment results			
	<u>852,652</u>	<u>5,447</u>	858,099
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>

Segment assets and liabilities

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

As at 31st December, 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\$21,957,000,000 (2020: HK\$21,644,000,000) and HK\$767,000,000 (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

	Year ended 31st December, 2021		
	Hotel	Mixed Use	Total
	Properties	Property	
	HK\$'000	HK\$'000	HK\$'000
Capital expenditures	<u>10,719</u>	<u>54</u>	<u>10,773</u>

	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>

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

Information about a major customer

For the year ended 31st December, 2021, revenue of HK\$575,279,000 (2020: HK\$855,434,000) 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	2021 HK\$'000	2020 HK\$'000
Gross rental revenue			
Rental income			
Initial Hotels	(a)	460,000	710,000
iclub Wan Chai Hotel – Non-hotel portions		5,758	5,001
iclub Sheung Wan Hotel	(b)	26,000	41,000
iclub Fortress Hill Hotel	(c)	26,000	41,000
iclub Ma Tau Wai Hotel	(d)	61,167	61,334
Other income		2,112	2,100
		<u>581,037</u>	<u>860,435</u>
Property operating expenses		<u>(3,209)</u>	<u>(3,476)</u>
Net rental income		<u>577,828</u>	<u>856,959</u>
Gross hotel revenue			
Hotel operating expenses	(f)	<u>(11,419)</u>	<u>(9,823)</u>
Net hotel income		<u>1,088</u>	<u>1,140</u>
Net rental and hotel income		<u>578,916</u>	<u>858,099</u>
Revenue from contracts with customers			
Gross hotel revenue	(e)	<u>12,507</u>	<u>10,963</u>
Revenue from other sources			
Gross rental income		<u>581,037</u>	<u>860,435</u>

Notes:

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

	2021 HK\$'000	2020 HK\$'000
Base Rent	460,000	710,000
Variable Rent	–	–
	<u>460,000</u>	<u>710,000</u>

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

	2021 HK\$'000	2020 HK\$'000
Base Rent	26,000	41,000
Variable Rent	—	—
	<u>26,000</u>	<u>41,000</u>

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

	2021 HK\$'000	2020 HK\$'000
Base Rent	26,000	41,000
Variable Rent	—	—
	<u>26,000</u>	<u>41,000</u>

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

	2021 HK\$'000	2020 HK\$'000
Contractual cash rental income	65,705	62,305
Difference in accounting rental income and contractual cash rental income	(4,538)	(971)
	<u>61,167</u>	<u>61,334</u>

(e) Gross hotel revenue is recognised over time.

(f) Included subsidies of HK\$885,000 granted by the Government of the Hong Kong Special Administrative Region under the Anti-epidemic Fund during the year ended 31st December, 2020. There were no unfulfilled conditions related to these grants.

6. REIT MANAGER FEES

	2021 HK\$'000	2020 HK\$'000
Base Fees	68,676	68,170
Variable Fees	<u>17,436</u>	<u>25,715</u>
	<u><u>86,112</u></u>	<u><u>93,885</u></u>

For the financial year 2021, the REIT Manager elected to receive its Base Fees and Variable Fees in the form of cash.

7. FINANCE COSTS – EXCLUDING DISTRIBUTIONS TO UNITHOLDERS

	2021 HK\$'000	2020 HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on interest-bearing bank borrowings	126,279	195,197
Amortisation of debt establishment costs	21,824	20,876
Interest expense on lease liabilities	<u>250</u>	<u>398</u>
	148,353	216,471
Others	<u>3,066</u>	<u>4,138</u>
	<u><u>151,419</u></u>	<u><u>220,609</u></u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2021 HK\$'000	2020 HK\$'000
Charge for the year	30,426	53,253
Over provision in prior years	(100)	(27)
Deferred	<u>24,318</u>	<u>34,173</u>
Total tax charge for the year	<u><u>54,644</u></u>	<u><u>87,399</u></u>

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

The calculation of the basic earnings per Unit attributable to Unitholders is based on the profit for the year before distributions to Unitholders of HK\$577,087,000 (2020: loss of HK\$2,309,806,000) and the weighted average of 3,257,431,189 Units (2020: 3,257,431,189 Units) in issue during the year. The basic earnings per Unit attributable to Unitholders for the year amounted to HK\$0.177 (2020: basic loss per Unit of HK\$0.709).

The diluted earnings/(loss) per Unit attributable to Unitholders is the same as the basic earnings/(loss) per Unit attributable to Unitholders as there were no dilutive instruments in issue during the year (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	<u>(8,267)</u>
At 31st December, 2020 and 1st January, 2021	543,000
Additions	54
Surplus on revaluation	39,656
Depreciation provided during the year	<u>(7,710)</u>
At 31st December, 2021	<u>575,000</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 Colliers, an independent property valuer and the principal valuer of Regal REIT, at HK\$575,000,000 as at 31st December, 2021 (2020: HK\$543,000,000). A revaluation surplus of HK\$39,656,000 (2020: deficit of HK\$62,952,000) resulting from the valuation as at 31st December, 2021 has been credited to other comprehensive income (2020: charged to other comprehensive loss).

The carrying amount of the Group's property, plant and equipment would have been HK\$382,965,000 (2020: HK\$389,095,000) 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

	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 and 1st January, 2021	–	21,644,000	185,000	21,829,000
Fair value changes	–	302,281	7,000	309,281
Capital expenditures for the year	–	10,719	–	10,719
At 31st December, 2021	–	21,957,000	192,000	22,149,000

The Group's investment properties were valued by Colliers at HK\$22,149,000,000 as at 31st December, 2021 (2020: HK\$21,829,000,000).

12. ACCOUNTS RECEIVABLE

	2021 HK\$'000	2020 HK\$'000
Difference in accounting rental income and contractual cash rental income	4,675	9,213
Other accounts receivable	<u>244</u>	<u>148</u>
	<u><u>4,919</u></u>	<u><u>9,361</u></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

	2021 HK\$'000	2020 HK\$'000
Amounts due to related companies	31,811	60,471
Other accounts payable	<u>294</u>	<u>330</u>
	<u><u>32,105</u></u>	<u><u>60,801</u></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	
	2021	2020
At beginning and end of the 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 31st December, 2021 of HK\$12,146,911,000 (2020: HK\$11,930,860,000) by the number of Units in issue of 3,257,431,189 (2020: 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, 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	<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>
Gross deferred tax assets/(liabilities) at 1st January, 2021	(25,395)	(626,168)	8,519	(643,044)
Deferred tax charged to other comprehensive income during the year	(6,543)	–	–	(6,543)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	<u>252</u>	<u>(24,060)</u>	<u>(510)</u>	<u>(24,318)</u>
Gross deferred tax assets/(liabilities) at 31st December, 2021	<u>(31,686)</u>	<u>(650,228)</u>	<u>8,009</u>	<u>(673,905)</u>

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, 2021, 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, 2021, 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, 2021, 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, 2021 is expected to be despatched to Unitholders on or about 13th April, 2022.

ANNUAL GENERAL MEETING

An Annual General Meeting of Regal REIT will be convened on Wednesday, 18th May, 2022. The Notice of the Annual General Meeting will be published and sent to the Unitholders, together with the 2021 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, 31st March, 2022

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.