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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



CONTINUING CONNECTED PARTY TRANSACTION — RENEWAL OF THE TENANCY AGREEMENT AND RENTAL DETERMINATION

Reference is made to the announcement dated 21 October 2022 issued by Regal REIT, in which the Board announced that Cheerview (as tenant) has exercised on 19 October 2022 its option under the Tenancy Agreement to renew the tenancy of the Premises for a further term of three years commencing from 20 January 2023 and expiring on 19 January 2026 (both days inclusive), at market rent to be determined by the Principal Valuer. Save for the option to renew the tenancy term, all the other terms and conditions of the Tenancy Agreement will remain unchanged.

Cheerview is a wholly-owned subsidiary of Regal and Regal is a substantial Unitholder holding approximately 74.89% of the outstanding units of Regal REIT. Therefore, Cheerview is regarded as a connected person of Regal REIT under paragraph 8.1 of the REIT Code and the leasing transaction in respect of the Premises for the Extended Term under the Tenancy Agreement constitutes a continuing connected party transaction of Regal REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

As the highest applicable percentage ratio, based on the aggregate Maximum Transaction Amount for the Extended Term, exceeds 0.1% but is less than 5%, the leasing transaction in respect of the Premises for the Extended Term under the Tenancy Agreement is subject to the reporting, annual review and announcement requirements but exempt from the Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

A. BACKGROUND

Reference is made to the announcement dated 21 October 2022 issued by Regal REIT. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings ascribed to them in the announcement dated 21 October 2022.

In Regal REIT's announcement of 21 October 2022, the Board announced that Cheerview (as tenant) has served a written notice to Sonnix (as landlord) on 19 October 2022 to exercise its option under the Tenancy Agreement to renew the tenancy of Shops A and B, G/F., No. 211 Johnston Road, Wanchai, Hong Kong (the "**Premises**"), which is part of iclub Wan Chai Hotel, for a further term of three years commencing from 20 January 2023 and expiring on 19 January 2026 (both days inclusive) (the "**Extended Term**"), at market rent to be determined by Colliers International (Hong Kong) Limited, the current principal valuer of Regal REIT (the "**Principal Valuer**"). Save for the option to renew the tenancy term, all the other terms and conditions of the Tenancy Agreement will remain unchanged.

B. RENTAL DETERMINATION OF THE PREMISES FOR THE EXTENDED TERM

The key terms of the Tenancy Agreement including the new monthly rental amount of the Premises for the Extended Term, which was determined by the Principal Valuer with reference to the terms of the Tenancy Agreement, are as follows:

Parties:	Sonnix Limited (as landlord)
	Cheerview Limited (as tenant)
Premises:	Shop Nos. A and B, G/F., No. 211 Johnston Road, Wanchai, Hong Kong, which is part of iclub Wan Chai Hotel

Extended Term:	Three (3) years commencing from 20 January 2023 to 19 January 2026 (both days inclusive)
Rental for the Extended Term:	HK\$130,000.00 per calendar month, as determined by the Principal Valuer, payable monthly in advance, exclusive of air-conditioning charges, management fees, government rates and other outgoing expenses which are all to be borne and payable by the tenant
Management fees:	HK\$14,294.70 per calendar month (subject to revision from time to time)
Other miscellaneous fees:	Cheerview is responsible to pay for the utilities charges and other service fees in respect of the Premises
Deposit:	Three (3) months of rent and air-conditioning charges and management fees, payable in cash
Early termination:	Cheerview has the right to terminate the Tenancy Agreement without any compensation at any time with two months' prior written notice

C. HISTORICAL RENTAL AMOUNT AND MAXIMUM TRANSACTION AMOUNT

The aggregate maximum amount (comprising the monthly rental, the management fees and the amount of other miscellaneous fees) paid or payable by Cheerview to Sonnix under the Tenancy Agreement for each of the initial three years ended or ending 19 January 2021, 2022 and 2023 did not or will not exceed HK\$2,000,000.

Based on the new monthly rental as determined by the Principal Valuer, which is the same rental amount for each of the initial three years ending 19 January 2023, the management fees and the estimated amount of other miscellaneous fees payable during the Extended Term, it is expected that the aggregate maximum amount payable by Cheerview to Sonnix under the Tenancy Agreement for each of the three years during the Extended Term should not exceed HK\$2,000,000 (the “**Maximum Transaction Amount**”).

D. REASONS FOR RENEWING THE TENANCY AGREEMENT

The principal business of Regal REIT is real estate investment for rental income. Pursuant to the terms of the Tenancy Agreement, Cheerview has exercised the option at its sole discretion to renew the tenancy of the Premises for the Extended Term. Save for the option to renew the tenancy term, all the other terms and conditions of the Tenancy Agreement will remain unchanged. The overall terms of the Tenancy Agreement (including the option granted to Cheerview to renew the tenancy for the Extended Term at market rent) was arrived at after arm's length negotiation between the parties at the time when entering into the Tenancy Agreement and considered to be fair and reasonable. For the Extended Term, the new monthly rental has been determined by the Principal Valuer with reference to the rental amount of the Premises for the term of the initial three years and the prevailing rental levels payable for similar premises in nearby areas. In the opinion of the Principal Valuer, the determination of the new monthly rental amount for the Extended Term is fair and reasonable and is also consistent with and comparable to current market rental levels for similar premises nearby. Therefore, having regard to the foregoing, the Directors consider that the renewal of the Tenancy Agreement for the Extended Term at market rental determined by the Principal Valuer is fair and reasonable and in the best interests of Regal REIT and the Unitholders as a whole.

E. REGULATORY IMPLICATIONS

Cheerview is a wholly-owned subsidiary of Regal and Regal is a substantial Unitholder holding approximately 74.89% of the outstanding units of Regal REIT. Therefore, Cheerview is regarded as a connected person of Regal REIT under paragraph 8.1 of the REIT Code and the leasing transaction in respect of the Premises for the Extended Term under the Tenancy Agreement constitutes a continuing connected party transaction of Regal REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

As the highest applicable percentage ratio, based on the aggregate Maximum Transaction Amount for the Extended Term, exceeds 0.1% but is less than 5%, the leasing transaction in respect of the Premises for the Extended Term under the Tenancy Agreement is subject to the reporting, annual review and announcement requirements but exempt from the Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

F. OPINION OF THE BOARD

The Board (including all the independent non-executive Directors but excluding those Directors who are interested or deemed to be interested in the Tenancy Agreement) is of the view that the leasing transaction in respect of the Premises for the Extended Term under the Tenancy Agreement continues to be conducted in the ordinary and usual course of business of Regal REIT and is consistent with the investment objectives and strategies of Regal REIT, and the terms of the Tenancy Agreement (including the Extended Term) is at arm's length, on normal commercial terms, fair and reasonable and in the best interests of Regal REIT and the Unitholders as a whole.

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 Cheerview, Regal, Paliburg and/or Century City) 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) have abstained from voting on the relevant board resolutions of the REIT Manager in relation to the Tenancy Agreement.

G. OPINION OF THE TRUSTEE

Based and in sole reliance on the opinion of the Board in this announcement and the information and assurances provided by the REIT Manager, the Trustee, having taken into account its duties set out in the trust deed constituting Regal REIT dated 11 December 2006 (as amended, supplemented and/or otherwise modified from time to time) (the "**Trust Deed**") and the REIT Code,

- (a) is of the view that the leasing transaction in respect of the Premises for the Extended Term under the Tenancy Agreement (i) is in the ordinary and usual course of business of Regal REIT, on normal commercial terms, fair and reasonable and in the interests of Regal REIT and the Unitholders as a whole; and (ii) is consistent with the investment policy of Regal REIT and in compliance with the REIT Code and the Trust Deed;
- (b) confirms that Unitholders' approval is not required under the REIT Code or the Trust Deed for the leasing transaction in respect of the Premises for the Extended Term under the Tenancy Agreement; and
- (c) based on the foregoing matters, the Trustee has no objection to the leasing transaction in respect of the Premises for the Extended Term under the Tenancy Agreement.

H. REVIEW AND REPORTING PROCESS

The leasing transaction in respect of the Premises for the Extended Term under the Tenancy Agreement will continue to be subject to the following review and reporting process:

(a) Annual Review by the Independent Non-executive Directors

The independent non-executive Directors shall review the leasing transaction in respect of the Premises for the Extended Term under the Tenancy Agreement annually and confirm in Regal REIT's annual report for the relevant financial period that such leasing transaction has been entered into:

- (i) in the ordinary and usual course of business of Regal REIT;
- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable to Regal REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the terms of the Tenancy Agreement and the REIT Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the best interests of the Unitholders as a whole.

(b) Annual review by the Auditors

In respect of each relevant financial period, the REIT Manager shall engage and agree with the auditors of Regal REIT to perform certain review procedures on the leasing transaction in respect of the Premises for the Extended Term under the Tenancy Agreement annually. The auditors will then report to the REIT Manager on the factual findings based on the work performed by them (and a copy of such report will be provided to the SFC), confirming whether such leasing transaction:

- (i) has not been approved by the Board (including all independent non-executive Directors);
- (ii) was not entered into, in all material respects, in accordance with the terms of the Tenancy Agreement; or
- (iii) has exceeded the aggregate amount payable in respect of the Tenancy Agreement for each of three years during the Extended Term of HK\$2,000,000.

(c) Access to books and records

The REIT Manager shall allow, and shall procure the counterparty to the Tenancy Agreement to allow, the auditors of Regal REIT sufficient access to their respective records for the purpose of reporting on the leasing transaction in respect of the Premises during the Extended Term.

(d) Notification to the SFC

The REIT Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in (a) and/or (b) above.

(e) Annual Reports

A brief summary of the leasing transaction in respect of the Premises for the Extended Term under the Tenancy Agreement will be included in Regal REIT's next published annual report in accordance with rules 14A.71 and 14A.72 of the Listing Rule (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

The REIT Manager will comply with all continuing connected party transactions requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules in relation to the Tenancy Agreement, including whether it is further renewed or varied, unless any waiver is granted in respect of the same.

I. INFORMATION ON REGAL REIT, CHEERVIEW, REGAL AND CENTURY CITY

REGAL REIT

Regal REIT is a collective investment scheme authorised by the SFC and listed on the main board of The Stock Exchange of Hong Kong Limited. Regal REIT is a real estate investment trust with DB Trustees (Hong Kong) Limited as its trustee. It invests primarily in real estate that wholly or primarily comprises hotels, other hospitality related properties or commercial properties and uses the income arising from such properties to provide stable returns to the Unitholders. As at the date of this announcement, Regal REIT owns a total of nine properties which are located across different districts in Hong Kong.

CHEERVIEW, REGAL AND CENTURY CITY

Cheerview (as tenant) is incorporated in Hong Kong and is a wholly-owned subsidiary of Regal.

Regal and its subsidiaries are principally engaged in hotel ownership, hotel operation and management, investment in Regal REIT, asset management of Regal REIT, property development and investment, aircraft ownership and leasing business and other investments including financial asset investments.

Century City and its subsidiaries are principally engaged in property development and investment, construction and building related business, hotel ownership, hotel operation and management, asset management, aircraft ownership and leasing business and other investments including financial asset investments. Paliburg is a listed subsidiary of Century City and Regal is also a listed subsidiary of Century City held through Paliburg. Mr. LO Yuk Sui is the chairman and the controlling shareholder of Century City held through companies controlled by him.

This announcement is made pursuant to paragraphs 10.3 and 10.5A of the REIT Code.

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, 15 November 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.