



REGAL REIT
富豪產業信託

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)

2021 INTERIM REPORT



Managed by



富豪資產管理有限公司
Regal Portfolio
Management Limited

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CORPORATE INFORMATION

MANAGER OF REGAL REIT

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BOARD OF DIRECTORS OF THE REIT MANAGER

Non-executive Directors

Lo Yuk Sui (Chairman)
Lo Po Man (Vice Chairman)
Donald Fan Tung
Jimmy Lo Chun To
Kenneth Ng Kwai Kai

Executive Directors

Johnny Chen Sing Hung
Simon Lam Man Lim

Independent Non-executive Directors

John William Crawford, JP
Bowen Joseph Leung Po Wing, GBS, JP
Kai Ole Ringenson
Abraham Shek Lai Him, GBS, JP

AUDIT COMMITTEE OF THE REIT MANAGER

John William Crawford, JP (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Kai Ole Ringenson
Abraham Shek Lai Him, GBS, JP
Kenneth Ng Kwai Kai

DISCLOSURE COMMITTEE OF THE REIT MANAGER

John William Crawford, JP (Chairman)
Johnny Chen Sing Hung
Simon Lam Man Lim
Donald Fan Tung
Kenneth Ng Kwai Kai
Kai Ole Ringenson

RESPONSIBLE OFFICERS OF THE REIT MANAGER

Johnny Chen Sing Hung
Simon Lam Man Lim
Wesley Chan Hiu Yeung

SECRETARY OF THE REIT MANAGER

Peony Choi Ka Ka

TRUSTEE OF REGAL REIT

DB Trustees (Hong Kong) Limited (the "Trustee")

AUDITOR

Ernst & Young
Registered Public Interest Entity Auditor

PRINCIPAL VALUER

CBRE Limited

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited
The Bank of East Asia, Limited
Cathay United Bank Company, Limited, Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Crédit Agricole Corporate & Investment Bank,
Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Oversea-Chinese Banking Corporation Limited,
Hong Kong Branch
United Overseas Bank Limited

LEGAL ADVISER

Baker & McKenzie

UNIT REGISTRAR

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WEBSITE

www.RegalREIT.com

Dear Unitholders,

I am pleased to present, on behalf of the Board of Directors of Regal Portfolio Management Limited as the REIT Manager, the 2021 Interim Report of Regal Real Estate Investment Trust.

FINANCIAL RESULTS

For the Interim Period ended 30th June, 2021, Regal REIT recorded an unaudited consolidated loss before distribution to 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 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.

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), 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 of 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.

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 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 net property income 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.

Lo Yuk Sui

Chairman

Regal Portfolio Management Limited

(as the REIT Manager of Regal REIT)

Hong Kong, 24th August, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors of the REIT Manager herein report the unaudited interim results of Regal Real Estate Investment Trust (“Regal REIT”) and its subsidiaries (collectively, the “Group”) for the six-month period from 1st January, 2021 to 30th June, 2021 (the “Interim Period”).

LONG-TERM OBJECTIVES AND VISION OF REGAL REIT

The primary objectives of Regal REIT and the REIT Manager are to provide long-term stable, growing distributions and capital growth for the unitholders of Regal REIT (the “Unitholders”) through active ownership of hotels and strategic investments in hotels, serviced apartments and/or commercial properties (including office and retail properties).

The vision of Regal REIT and the REIT Manager is to build up the existing portfolio of hotel properties in Hong Kong comprised of: (a) Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel (collectively, the “Initial Hotels”); and (b) iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub Ma Tau Wai Hotel (collectively, the “iclub Hotels”), and to be a pre-eminent owner of quality international hotels and other properties with a primary focus in Hong Kong as well as to reinforce Regal REIT’s status as a growing attractive option for investors.

THE REIT MANAGER AND THE TRUSTEE

The REIT Manager is licenced by the Securities and Futures Commission in Hong Kong (the “SFC”) to undertake the regulated activities of asset management. The REIT Manager does not manage the five Initial Hotels or the four iclub Hotels directly.

The Trustee is DB Trustees (Hong Kong) Limited, a wholly-owned subsidiary of Deutsche Bank AG. The Trustee is qualified to act as a trustee for collective investment schemes authorised under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). In this role, the Trustee holds the assets of Regal REIT in trust for the benefit of the Unitholders as a whole and oversees the activities of the REIT Manager for compliance with the trust deed constituting Regal REIT (the “Trust Deed”) and all regulatory requirements.

THE RHIHL LESSEE AND THE HOTEL MANAGER

The Initial Hotels are leased to Favour Link International Limited (the “RHIHL Lessee”), a wholly-owned subsidiary of Regal Hotels International Holdings Limited (“RHIHL”, together with its relevant subsidiaries, collectively, the “RHIHL Group”), with lease terms expired on 31st December, 2020 under the relevant lease agreements and supplemental lease agreements (together, the “Initial Hotels Lease Agreements”). On 20th December, 2019, Regal REIT and the RHIHL Lessees entered into supplemental agreements amending each of the Initial Hotels Lease Agreements to extend the lease term of (a) Regal Airport Hotel for another eight-year-less-four-day terms to 27th December, 2028; and (b) each of Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel for another ten years to 31st December, 2030 together with the inclusion of a non-fault based early termination provision by the lessor. The market rental packages for the extended term of each of the Initial Hotels will continue to be determined annually by a jointly appointed independent professional property valuer. Such extended term for each of the Initial Hotels Lease Agreements was approved by the independent Unitholders at an extraordinary general meeting held on 15th January, 2020.

Regal Hotels International Limited, a wholly-owned subsidiary of RHIHL, was appointed as the hotel manager (the “Hotel Manager”) under long-term hotel management agreements to operate the Initial Hotels (the “Initial Hotels Management Agreements”) for a term of twenty years from 16th March, 2007. In December 2010, Regal REIT entered into another hotel management agreement with the Hotel Manager for the operation of the hotel portion of iclub Wan Chai Hotel for a term of ten years from 1st January, 2011 to 31st December, 2020 (the “Wan Chai Hotel Management Agreement”). Since 1st January, 2011, the iclub Wan Chai Hotel has been self-operated and not leased out by Regal REIT. On 20th December, 2019, Regal REIT entered into a new hotel management agreement (the “New Wan Chai Hotel Management Agreement”) with the Hotel Manager on substantially the same terms as the Wan Chai Hotel Management Agreement, the key differences being: (a) the operating term shall be for ten years from 1st January, 2021 to 31st December, 2030; and (b) the inclusion of a non-fault based early termination provision.

On 10th February, 2014, Regal REIT acquired the iclub Sheung Wan Hotel and leased it to the RHIHL Lessee for hotel operations for the period from 10th February, 2014 to 31st December, 2019 under a lease agreement (the “SW Lease Agreement”), which is extendable at the option of Regal REIT for a further five years. On 17th May, 2019, Regal REIT exercised its option to extend the lease term for a further five year period from 1st January, 2020 and expiring on 31st December, 2024 (both days inclusive). On 18th November, 2019, Regal REIT entered into a new lease agreement for the iclub Sheung Wan Hotel (the “New SW Lease Agreement”) with the RHIHL Lessee to formally effect the extension of the above-mentioned 5-year lease term. Save for the extension of the lease term as mentioned above, all the other terms and conditions of the New SW Lease Agreement remained the same as those in the SW Lease Agreement. The Hotel Manager was appointed as the hotel manager of the iclub Sheung Wan Hotel under a 10-year hotel management agreement (the “SW Hotel Management Agreement”) commencing on 10th February, 2014.

On 28th July, 2014, Regal REIT also acquired the iclub Fortress Hill Hotel and leased it to the RHIHL Lessee for hotel operations for the period from 28th July, 2014 to 31st December, 2019 under a lease agreement (the “FH Lease Agreement”), which is extendable at the option of Regal REIT for a further five years. On 17th May, 2019, Regal REIT exercised its option to extend the lease term for a further five year period from 1st January, 2020 and expiring on 31st December, 2024 (both days inclusive). On 18th November, 2019, Regal REIT entered into a new lease agreement for the iclub Fortress Hill Hotel (the “New FH Lease Agreement”) with the RHIHL Lessee to formally effect the extension of the above-mentioned 5-year lease term. Save for the extension of the lease term as mentioned above, all the other terms and conditions of the New FH Lease Agreement remained the same as those in the FH Lease Agreement. The Hotel Manager was also appointed as the hotel manager of the iclub Fortress Hill Hotel under a 10-year hotel management agreement (the “FH Hotel Management Agreement”) commencing on 28th July, 2014.

On 4th September, 2017, Regal REIT acquired the iclub Ma Tau Wai Hotel and leased it to the RHIHL Lessee for hotel operations for a term of five years commencing on 4th September, 2017 under a lease agreement (the “MTW Lease Agreement”), which is extendable at the option of Regal REIT for a further term to 31st December, 2027. The Hotel Manager was appointed as the hotel manager of the iclub Ma Tau Wai Hotel under a 10-year hotel management agreement (the “MTW Hotel Management Agreement”) commencing on 4th September, 2017.

HOTEL PORTFOLIO

The portfolio of nine hotel properties of Regal REIT are strategically located in different districts in Hong Kong, enabling hotel guests to have easy and convenient access to the mass transit network and other public transportation networks. The Regal REIT's hotel portfolio is comprised of two hotel types, namely, full-service hotels, which offer a wide range of services including food and beverage outlets and other facilities, and select-service hotels, which offer contemporary design and are equipped with tech-savvy facilities.

Hotel Types	District Location	No. of Rooms	Operations Mode
<i>Full-service hotels:</i>			
Regal Airport Hotel	Chek Lap Kok	1,171	Under Lease
Regal Hongkong Hotel	Causeway Bay	481	Under Lease
Regal Kowloon Hotel	Tsim Sha Tsui	600	Under Lease
Regal Oriental Hotel	Kowloon City	494	Under Lease
Regal Riverside Hotel	Shatin	1,147	Under Lease
		3,893	
<i>Select-service hotels:</i>			
iclub Wan Chai Hotel	Wan Chai	99	Self-operated
iclub Sheung Wan Hotel	Sheung Wan	248	Under Lease
iclub Fortress Hill Hotel	Fortress Hill	338	Under Lease
iclub Ma Tau Wai Hotel	Ma Tau Wai	340	Under Lease
		1,025	
Total		4,918	

RENTAL AND REVENUE STRUCTURE

Initial Hotels - Rental Structure and Market Rental Packages

Pursuant to the Initial Hotels Lease Agreements, for the years 2011 to 2028 (for Regal Airport Hotel) and 2030 (for the other four Initial Hotels), respectively, the rental packages in respect of the Initial Hotels are determined on a yearly basis by a jointly appointed independent professional property valuer. The determinations include the amount of market rents (inclusive of the amount of base rent (the "Base Rent") for each Initial Hotel, the variable rent (the "Variable Rent") sharing percentage and the RHIHL Lessee's contributions to the furniture, fixtures and equipment (the "FF&E") reserve calculated as a percentage of total hotel revenue) to be applied for each of the Initial Hotels for the relevant respective years from 2011 to 2028 (for Regal Airport Hotel) and 2030 (for the other four Initial Hotels), respectively, together with the amount of the security deposit required (collectively, the "IH Market Rental Package").

IH Market Rental Package for 2021

An independent professional property valuer, Ms. Stella Ho, was jointly appointed in June 2020 to conduct rent reviews for the Initial Hotels for 2021. According to the determination of the IH Market Rental Package for 2021, the aggregate amount payable by the RHIHL Lessee as annual Base Rent was determined to be HK\$460.0 million, with Variable Rent continuing to be based on sharing 50% of the excess of the aggregate net property income (“NPI”) from the operations of the Initial Hotels over the aggregate annual Base Rent thereof in 2021. No FF&E reserve is required to be contributed by the RHIHL Lessee and the obligation for such contribution rests with the lessors.

The RHIHL Lessee has provided third party guarantees as security deposits for an aggregate amount of HK\$115.0 million, which is equivalent to three months' aggregate Base Rent of the Initial Hotels for 2021. Details of the IH Market Rental Package for 2021 can be referred to in an announcement published by the REIT Manager on 26th November, 2020.

IH Market Rental Package for 2022

The market rental review for the Initial Hotels for 2022 is to be conducted by Ms. Stella Ho, who determined the IH Market Rental Package for 2021, and the IH Market Rental Package for 2022 will be determined and reported before the end of September 2021.

iclub Wan Chai Hotel - Revenue Structure

Hotel Portion

The hotel portion of iclub Wan Chai Hotel, which is under an owner-operate mode, is managed by the Hotel Manager under the New Wan Chai Hotel Management Agreement. Since 1st January, 2011, gross hotel revenue and the associated operating costs and expenses are accounted for directly by Regal REIT.

Non-hotel Portions

iclub Wan Chai Hotel - non-hotel portions, comprised of a portion of the ground floor and the 27th to 29th floors of the premises, are let out to generate monthly rental income.

iclub Sheung Wan Hotel - Rental Structure and Market Rental Package

Pursuant to the SW Lease Agreement and the New SW Lease Agreement, the RHIHL Lessee is obligated to pay rentals in respect of the iclub Sheung Wan Hotel to Regal REIT for the period from 10th February, 2014 to 31st December, 2024, with fixed rentals for the first three years of the lease term.

After the lapse of the three initial lease years, market rental reviews by a jointly appointed independent professional property valuer take place annually for each of the remaining periods of the lease term to determine the market rental components (comprising the Base Rent, Variable Rent and lessee's contribution to the FF&E reserve) together with the amount of the security deposit required (collectively, the “SW Market Rental Package”).

SW Market Rental Package for 2021

The same independent professional property valuer, Ms. Stella Ho, was jointly appointed in June 2020 to conduct a rent review for the iclub Sheung Wan Hotel for 2021. According to the determination of the SW Market Rental Package for 2021, the annual Base Rent payable by the RHIHL Lessee is HK\$26.0 million, with Variable Rent to be based on 50% of the excess of the NPI over the annual Base Rent. No FF&E reserve is required to be contributed by the RHIHL Lessee and the obligation for such contribution rests with the lessor.

The RHIHL Lessee has provided a third party guarantee as a security deposit for an amount of HK\$6.8 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Sheung Wan Hotel for 2021. Details of the SW Market Rental Package for 2021 can be referred to in an announcement published by the REIT Manager on 26th November, 2020.

SW Market Rental Package for 2022

The market rental review for the iclub Sheung Wan Hotel for 2022 is to be conducted by Ms. Stella Ho, who determined the SW Market Rental Package for 2021, and the SW Market Rental Package for 2022 will be determined and reported before the end of September 2021.

iclub Fortress Hill Hotel - Rental Structure and Market Rental Package

Pursuant to the FH Lease Agreement and the New FH Lease Agreement, the RHIHL Lessee is obligated to pay rentals in respect of the iclub Fortress Hill Hotel to Regal REIT for the period from 28th July, 2014 to 31st December, 2024, with fixed rentals for the first three years of the lease term.

After the lapse of the three initial lease years, market rental reviews by a jointly appointed independent professional property valuer take place annually for each of the remaining periods of the lease term to determine the market rental components (comprising the Base Rent, Variable Rent and lessee's contribution to the FF&E reserve) together with the amount of the security deposit required (collectively, the "FH Market Rental Package").

FH Market Rental Package for 2021

The same independent professional property valuer, Ms. Stella Ho, was jointly appointed in June 2020 to conduct a rent review for the iclub Fortress Hill Hotel for 2021. According to the determination of the FH Market Rental Package for 2021, the annual Base Rent payable by the RHIHL Lessee is HK\$26.0 million, with Variable Rent to be based on 50% of the excess of the NPI over the annual Base Rent. No FF&E reserve is required to be contributed by the RHIHL Lessee and the obligation for such contribution rests with the lessor.

The RHIHL Lessee has provided a third party guarantee as a security deposit for an amount of HK\$6.8 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Fortress Hill Hotel for 2021. Details of the FH Market Rental Package for 2021 can be referred to in an announcement published by the REIT Manager on 26th November, 2020.

FH Market Rental Package for 2022

The market rental review for the iclub Fortress Hill Hotel for 2022 is to be conducted by Ms. Stella Ho, who determined the FH Market Rental Package for 2021, and the FH Market Rental Package for 2022 will be determined and reported before the end of September 2021.

iclub Ma Tau Wai Hotel - Rental Structure

Pursuant to the MTW Lease Agreement, the RHIHL Lessee is obligated to pay rentals in respect of the iclub Ma Tau Wai Hotel to Regal REIT for the period from 4th September, 2017 to 3rd September, 2022 (the "MTW Initial Lease Term"), which is extendable at the option of Regal REIT for a further term to 31st December, 2027.

Regal REIT receives fixed rentals for the leasing of the iclub Ma Tau Wai Hotel up to September 2022 and annual rental receipts for the initial five years of the lease term have been determined to be HK\$54.4 million, HK\$57.8 million, HK\$61.2 million, HK\$64.6 million and HK\$68.0 million, respectively.

Annual rent reviews by a jointly appointed independent professional property valuer will take place for each of any extension periods to determine the market rental components (comprising the Base Rent, Variable Rent and the lessee's contribution to the FF&E reserve) together with the amounts of security deposits required.

Furniture, Fixtures & Equipment Reserve

Regal REIT is obligated under the respective Initial Hotels Lease Agreements, the New Wan Chai Hotel Management Agreement, the New SW Lease Agreement and the New FH Lease Agreement to maintain reserves to fund expenditures for replacements of FF&E in the respective hotels during the Interim Period. Pursuant to the MTW Lease Agreement, RHIHL Lessee is required to fund the actual costs of any replacements and/or additional FF&E in the iclub Ma Tau Wai Hotel for the MTW Initial Lease Term.

During the Interim Period, Regal REIT contributed amounts equal to 2% of the total hotel revenue (i.e. the total of room revenue, food and beverage revenue and/or other income of the hotel properties) for each month and, as a result, HK\$5.8 million was contributed to the FF&E reserve with corresponding expenditures of HK\$4.1 million being recorded for the purposes intended.

Capital Additions Projects

Certain asset enhancement projects for 2021 are currently under review, including alteration and improvement work on hotel facilities and replacement projects on building services.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The results of the Group for the Interim Period are set out in the condensed consolidated financial statements.

Hotel Industry Conditions in Hong Kong

Visitor Arrivals to Hong Kong, 1H 2021 versus 1H 2020¹

Visitors to Hong Kong by Geographical Regions	1H 2021 (Percentage of total visitors)	1H 2021 (No. of visitors)	1H 2020 (No. of visitors)	Variance (No. of visitors)	Variance (%)
Mainland China	71.9%	24,263	2,681,241	(2,656,978)	(99.1%)
South & Southeast Asia	10.5%	3,538	178,740	(175,202)	(98.0%)
North Asia	0.6%	218	89,794	(89,576)	(99.8%)
Taiwan	3.7%	1,261	102,808	(101,547)	(98.8%)
Europe, Africa & the Middle East	8.8%	2,983	168,181	(165,198)	(98.2%)
The Americas	2.4%	805	121,178	(120,373)	(99.3%)
Australia, New Zealand & South Pacific	0.6%	213	57,152	(56,939)	(99.6%)
Macau SAR/Not identified	1.4%	468	116,986	(116,518)	(99.6%)
Total	100% (rounded)	33,749	3,516,080	(3,482,331)	(99.0%)
Overnight visitors included in above	98.5%	33,236	1,307,407	(1,274,171)	(97.5%)

During the first half of 2021, the visitor arrival numbers reported a sharp decrease of approximately 3.5 million under the travel restrictions of COVID-19, representing a drop of 99.0% year-on-year.

Mainland China visitors decreased by 99.1%, reaching 24,263 and accounting for 71.9% of the total arrivals to Hong Kong during the period.

Arrivals from short-haul markets comprising other Asian regions (including North Asia, South & Southeast Asia, Taiwan and Macau SAR), recorded a drop of 98.9%, aggregating to 5,485 and representing 16.3% of the total visitor arrivals to Hong Kong.

Without exception, visitors from long-haul markets also recorded a huge drop. Visitor arrivals decreased by 98.8%, with total arrivals aggregating to 4,001. Visitors from the Americas recorded a decline of 99.3%, and, thereby, taking up 2.4% of total visitors. Arrivals from the Europe, Africa and the Middle East markets also recorded a decline of 98.2%, with the visitor numbers reaching 2,983 or 8.8% of total arrivals.

During the period, overnight staying visitors amounted to about 33,236, representing 98.5% of total arrivals, and reflecting a decline of 97.5% as compared to the same period last year.

¹ Source: Research, Hong Kong Tourism Board, "Visitor Arrival Statistics – Jun 2021", July 2021; "Visitor Arrival Statistics – Jun 2020", July 2020; the REIT Manager.

Similar to other international gateway cities, in-bound visitor numbers historically drive the core lodging demand for the local hotel industry. However, as there were only minimal inbound visitors, the hotels in Hong Kong have had to adjust their business strategies to attract additional long stay and staycation business from local client sources.

Review of Hotel Rooms Supply in Hong Kong

During the first quarter of 2021, the hotel room supply in Hong Kong reported an increase of 215 units, reflecting a mild growth of 0.2% from 86,700 to 86,915 rooms. During the period, 1 hotel was added to the licensed registry. The number of hotel properties increased from 311 to 312, representing an increase of 0.3%. By the end of 2021, it is estimated that the hotel room supply will reach 89,797 (FY2020: 86,700 units), for an anticipated growth of around 3.6% over the previous year.²

Industry Performance

Room Occupancy Rates, Average Room Rates and RevPAR (Revenue per available room) of the different categories of hotels are summarized below.

Category	Hong Kong Hotel Market Performance (1H 2021 versus 1H 2020) ³					
	Room Occupancy Rates		Average Room Rates		RevPAR	
	1H 2021	1H 2020	1H 2021	1H 2020	1H 2021	1H 2020
	%	%	HK\$	HK\$	HK\$	HK\$
High Tariff A	36	21	1,439	1,706	518	358
High Tariff B	55	38	614	609	338	231
Medium Tariff	70	53	458	427	321	226
All Hotels	56	39	837	914	469	356

During the first half of 2021, though there was a sharp decrease in the number of overnight visitors while, to a certain extent, local long stay and staycation customers were able to help support the room demand. The overall hotel occupancy rate improved to 56.0%, which was up by 17.0 percentage points year-on-year, while the industry-wide average room rate dropped by 8.4% to HK\$837 per night. Both factors contributed to an increase to the hotel industry's RevPAR by about HK\$113 or an improvement by 31.7% year-on-year.

² Source: Research, Hong Kong Tourism Board, "Hotel Supply Situation – as at Mar 2021", May 2021; the REIT Manager.

³ Source: Research, Hong Kong Tourism Board, "Hotel Room Occupancy Report – Jun 2021", July 2021; the REIT Manager.

Performance Highlights of Regal REIT

Regal REIT currently has an aggregate of 4,918 guestrooms and suites in nine hotel properties, with a total gross floor area of approximately 236,763 square meters, that are strategically located in Hong Kong.

The financial performance of Regal REIT with regard to operating results and net asset value rely on the underlying performance of the respective hotel businesses operated by the RHIHL Lessee and the self-operated iclub Wan Chai Hotel, all under the management of the Hotel Manager. The lease rentals provide secured income protection while Regal REIT will still be eligible to earn variable rent for the Initial Hotels, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel from sharing of the respective excess NPIs over the base rents.

Overall, the imposed quarantine requirements have generated businesses for those hotels that have enrolled in the Hong Kong Government's Designated Quarantine Hotel Scheme. Amongst which, Regal Airport Hotel, Regal Oriental Hotel and iclub Ma Tau Wai Hotel continued participating in this scheme during the Interim Period. Together with long stay and staycation businesses, these have helped to improve room occupancies while the achieved room rates continued to be under pressure due to their different demand characteristics and keen market competition.

Performance of the Initial Hotels

Total hotel revenue, gross operating profit and net property income and statistics for the combined Initial Hotels for 1H 2021 versus 1H 2020 are set out below.

	1H 2021 HK\$'million	1H 2020 HK\$'million	Variance HK\$'million	Variance %
Operating Results				
Room revenue	153.7	179.0	(25.3)	(14.1%)
Food and beverage revenue	96.5	110.3	(13.8)	(12.5%)
Other income	17.0	20.1	(3.1)	(15.4%)
Total hotel revenue	267.2	309.4	(42.2)	(13.6%)
Operating expenses	(259.3)	(301.8)	42.5	14.1%
Gross operating profit	7.9	7.6	0.3	3.9%
Other expenses	(20.8)	(25.1)	4.3	17.1%
Net rental income	24.6	25.2	(0.6)	(2.4%)
Net property income	11.7	7.7	4.0	51.9%
Statistics				
Average room rate	HK\$458.75	HK\$674.87	(HK\$216.12)	(32.0%)
Occupancy rate	47.5%	37.4%	10.1%	27.0%
RevPAR	HK\$217.93	HK\$252.44	(HK\$34.51)	(13.7%)
Total available rooms nights	704,633	706,888	(2,255)	(0.3%)
Occupied room nights	334,731	264,419	70,312	26.6%

As the COVID-19 crisis continued in the first half of 2021, international traffic remained substantially at a halt owing to the travel and quarantine restrictions imposed by most countries. For the Initial Hotels, different measures and strategies were in place in order to keep business intact under this difficult operating climate. During the reporting period which represented an entire six-month period under the pandemic, total hotel revenue recorded a year-on-year decrease of HK\$42.2 million to HK\$267.2 million or a decline of 13.6% as compared to the same period last year (1H 2020: HK\$309.4 million). Gross operating profit was HK\$7.9 million with only a slight increase of HK\$0.3 million (1H 2020: HK\$7.6 million). As a result, the NPI was HK\$11.7 million, representing an increase of HK\$4.0 million or an increase of 51.9% as compared with the same period last year (1H 2020: HK\$7.7 million)

For the period under review, the average occupancy of the Initial Hotels attained combined 47.5% (1H 2020: 37.4%). The average room rate recorded a drop of 32.0% to HK\$458.75 (1H 2020: HK\$674.87). As a result, the RevPAR of the Initial Hotels was HK\$217.93 (1H 2020: HK\$252.44), representing a decline of 13.7% year-on-year.

Base Rent

According to the IH Market Rental Package for 2021, Regal REIT received Base Rent in the form of cash for each Initial Hotel on a monthly basis. During the Interim Period, Regal REIT received aggregate Base Rent of HK\$230.0 million.

Variable Rent

Regal REIT is entitled to receive Variable Rent through the sharing of aggregate profits from the Initial Hotels' operations over the Base Rent payments. 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.

Performance of iclub Wan Chai Hotel

During the period under review, the average occupancy rate of iclub Wan Chai Hotel was 75.7% with an average room rate of HK\$389.10 or a decrease of 0.3% from the HK\$390.24 as reported in the same period last year.

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.

Performance of iclub Sheung Wan Hotel

During the Interim Period, the iclub Sheung Wan Hotel achieved an overall occupancy rate of 73.7%, while the average daily room rate of approximately HK\$379.49 represented a drop of 1.3% over the same period last year.

Base Rent

According to the SW Market Rental Package for 2021, Regal REIT received Base Rent in the form of cash on a monthly basis and in the Interim Period thereby earned and received HK\$13.0 million.

Variable Rent

Regal REIT is entitled to receive Variable Rent through the sharing of profit from the iclub Sheung Wan Hotel's operations over the Base Rent earned. During the Interim Period, the NPI from hotel operations of the iclub Sheung Wan Hotel was only HK\$3.4 million and, therefore, no Variable Rent was earned.

Performance of iclub Fortress Hill Hotel

During the Interim Period, the iclub Fortress Hill Hotel achieved an occupancy rate of 72.0% with an average daily room rate of approximately HK\$292.71 or a drop of 0.2% over the same period last year.

Base Rent

According to the FH Market Rental Package for 2021, Regal REIT received Base Rent in the form of cash on a monthly basis and in the Interim Period, thereby earned and received HK\$13.0 million.

Variable Rent

Regal REIT is entitled to receive Variable Rent through the sharing of profit from the iclub Fortress Hill Hotel's operations over the Base Rent earned. During the Interim Period, the NPI from hotel operations of the iclub Fortress Hill Hotel was only HK\$1.4 million, and no Variable Rent was earned.

Performance of iclub Ma Tau Wai Hotel

The iclub Ma Tau Wai Hotel commenced hotel operations in May 2017. During the Interim Period, Regal REIT earned fixed rental income as pre-determined in accordance with the terms of the MTW Lease Agreement that took effect from the completion date of its acquisition on 4th September, 2017.

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.

Net Rental and Hotel Income

An analysis of the net rental and hotel income for the Interim Period compared to the corresponding period in 2020 is set out below.

	Six months ended 30th June, 2021		Six months ended 30th June, 2020	
	HK\$'million	%	HK\$'million	%
Initial Hotels				
Base Rent	230.0	78.0	355.0	81.6
Variable Rent	—	—	—	—
Other income	1.0	0.3	1.0	0.3
iclub Sheung Wan Hotel				
Rental income	13.0	4.4	20.5	4.7
iclub Fortress Hill Hotel				
Rental income	13.0	4.4	20.5	4.7
iclub Ma Tau Wai Hotel				
Rental income	30.3	10.3	30.5	7.0
iclub Wan Chai Hotel				
Gross hotel revenue	5.3	1.8	5.2	1.2
Rental income	2.4	0.8	2.3	0.5
Gross rental and hotel income	295.0	100.0	435.0	100.0
Property operating expenses	(1.6)	(0.5)	(1.7)	(0.4)
Hotel operating expenses	(5.4)	(1.9)	(4.8)	(1.1)
Net rental and hotel income	288.0	97.6	428.5	98.5

During the Interim Period, net rental and hotel income represented 97.6% of the gross rental and hotel income after the deduction of property and hotel operating expenses. Management services for the hotel properties are undertaken by the Hotel Manager under the relevant hotel management agreements with respect to the Initial Hotels, iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub Ma Tau Wai Hotel.

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 for a term of three years commencing from December 2018 pursuant to the provisions of the Code on Real Estate Investment Trusts (the “REIT Code”).

CBRE, as the independent professional property valuer, assessed the market values of the property portfolio subject to the lease agreements, hotel operations and the hotel management agreements and in accordance with “The HKIS Valuation Standards (2020 Edition)”, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the REIT Code. CBRE used the discounted cash flow (“DCF”) method based on key assumptions such as hotel room occupancies, hotel average room rates, terminal capitalisation rates and discount rates. The direct comparison approach was also used as a check on the valuation derived from the DCF method.

DISTRIBUTABLE INCOME AND DISTRIBUTION POLICY

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 its 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 unaudited distributable income for the Interim Period amounted to HK\$161.7 million, representing an entitlement of approximate by HK\$0.050 per Unit.

Interim Distribution for 2021

The Board of Directors of the REIT Manager has resolved to declare an interim distribution of HK\$0.045 per Unit for the Interim Period. The interim distribution will be payable to Unitholders on the Register of Unitholders on 16th September, 2021.

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.

FINANCIAL REVIEW AND FINANCING STRATEGY

The REIT Manager has continued to adopt a prudent approach to ensure that the leverage ratios do not exceed thresholds prescribed under the REIT Code and the financial covenants of the relevant loan facility agreements.

Loan Financing

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.

Financing for the Initial Hotels

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.

Subsequent to the reporting period, on 10th 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.

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.

Financing for iclub Wan Chai Hotel

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.

Financing for iclub Sheung Wan Hotel

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.

Financing for iclub Fortress Hill Hotel

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.

Financing for iclub Ma Tau Wai Hotel

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.

Managing Fluctuations in Interest Rates

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 annum⁴ 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.

Gearing and Cash

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 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.

Pledged Assets

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.

⁴ Hong Kong Dollar HIBOR Fixings 1-Month: Bloomberg 2021.01.01 to 2021.06.30.

OTHER INFORMATION AND DISCLOSURES

PUBLIC FLOAT

As at 30th June, 2021, there were 3,257,431,189 Units in issue.

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 as at 30th June, 2021.

NEW UNITS ISSUED

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

EMPLOYEES

Regal REIT is managed by the REIT Manager and the Trustee. By contracting out such services, Regal REIT does not employ any staff in its own right.

BUY-BACK, SALE OR REDEMPTION OF UNITS

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

MATERIAL ACQUISITIONS OR DISPOSALS OF REAL ESTATE

Regal REIT did not enter into any real estate acquisition or disposal transactions during the Interim Period.

OTHER INVESTMENTS

Regal REIT did not engage or participate in any Property Development and Related Activities (as defined in the REIT Code) nor invest in any Relevant Investments (as defined in the REIT Code) and any real estate other than Non-qualified Minority-owned Properties (as defined in the REIT Code), including in all Qualified Minority-owned Properties (as defined in the REIT Code), during the Interim Period.

The REIT Manager seeks to ensure good corporate governance through high levels of transparency, equal treatment of Unitholders, compliance with applicable laws and regulations and by appointing independent and well-qualified board members.

The REIT Manager has adopted a compliance manual for use in relation to the management and operation of Regal REIT (the "Compliance Manual") (as may be amended from time to time). The Compliance Manual 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 SFO and, where applicable, the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

AUTHORISATION STRUCTURE

Regal REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code and constituted by the Trust Deed.

The REIT Manager is licensed by the SFC under the SFO to conduct regulated activities related to asset management. During the period under review, Mr. Johnny Chen Sing Hung, Mr. Simon Lam Man Lim and Mr. Wesley Chan Hiu Yeung have acted as the Responsible Officers of the REIT Manager.

The Trustee is registered as a trust company and is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

BOARD OF DIRECTORS OF THE REIT MANAGER

The board of directors of the REIT Manager (the "Board") is responsible for overseeing the overall governance of the REIT Manager and the day-to-day management of the REIT Manager's affairs and the conduct of its business. The Board has established a framework for the management of Regal REIT, including systems of internal control and business risk management processes. The Board currently comprises two Executive Directors, five Non-executive Directors and four Independent Non-executive Directors.

DEALINGS IN SECURITIES OF REGAL REIT BY DIRECTORS OR THE REIT MANAGER

The REIT Manager has adopted the "Code Governing Dealings in Units by Directors or the REIT Manager" (the "Units Dealings Code") governing dealings in the securities of Regal REIT by the Directors and the REIT Manager as set out in the Compliance Manual, on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). The Units Dealings Code may be extended to senior executives, officers and other employees of the REIT Manager as the Board may determine. Following specific enquiries by the REIT Manager, the Directors of the REIT Manager and the REIT Manager have confirmed that they have complied with the required standards under the Model Code and the Units Dealings Code during the Interim Period.

CHANGE OF INFORMATION OF DIRECTOR

Subsequent to publication of the 2020 annual report of Regal REIT, the REIT Manager was informed of the following changes of Director's information:

Name of Director	Details of changes
Hon. Abraham Shek Lai Him, GBS, JP	<ul style="list-style-type: none">– Appointed as an independent non-executive director of International Alliance Financial Leasing Co., Ltd, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with effect from 28th July, 2021.– Retired as an independent non-executive director and appointed as advisor of SJM Holdings Limited, a company listed on the Stock Exchange, with effect from the conclusion of its annual general meeting held on 28th May, 2021.

AMENDMENT TO THE TRUST DEED

In order to reflect the recent amendments to the REIT Code, which became effective on 4th December, 2020, on 23rd March, 2021, Regal REIT and the Trustee entered into a First Amending and Restating Deed to amend the Trust Deed to, inter alia, (a) incorporate in the Trust Deed the requirements under the REIT Code for investments by REITs in Minority-owned Properties (as defined in the REIT Code); (b) reflect in the Trust Deed the relaxation of the diversification limits applicable to Relevant Investments (as defined in the REIT Code) and incorporate in the Trust Deed the requirements applicable to non-core investments of Regal REIT; (c) broadly align the scope of and requirements for connected party transactions and notifiable transactions of Regal REIT with the requirements applicable to companies listed on the Stock Exchange under the Listing Rules; (d) reflect in the Trust Deed the change in the borrowing limit of REITs under the REIT Code; and (e) incorporate in the Trust Deed other miscellaneous amendments to the REIT Code.

REVIEW OF INTERIM RESULTS

The Disclosure Committee and the Audit Committee of the REIT Manager have reviewed Regal REIT's condensed consolidated financial statements for the six months ended 30th June, 2021, including the accounting principles and practices adopted by Regal REIT, in conjunction with Regal REIT's external auditor. The review report of the external auditor is set out in the section "Report on Review of Interim Financial Information" contained in this Interim Report.

CONNECTED PARTY TRANSACTIONS

During the period under review, Regal REIT and the other companies or entities held or controlled by Regal REIT (collectively, the “Regal REIT Group”) entered into a number of continuing transactions with its connected persons (defined in paragraph 8.1 of the REIT Code), as listed below, which constitute connected party transactions of Regal REIT within the meaning of the REIT Code:

- (i) the REIT Manager and the other companies or entities held or controlled by Regal Hotels International Holdings Limited (“RHIHL”) (collectively, the “RHIHL Connected Persons Group”); and
- (ii) the Trustee and companies within the same group or otherwise “associated” with the Trustee (collectively, the “Trustee Connected Persons Group”).

RHIHL CONNECTED PERSONS GROUP

(a) Initial Hotels Lease Agreements

Regal REIT (via Bauhinia Hotels Limited, Cityability Limited, Gala Hotels Limited, Regal Riverside Hotel Limited and Ricobem Limited, the direct owners of the Initial Hotels, respectively, (collectively, the “Initial Hotel – Property Companies” and each referred to as the “Initial Hotel – Property Company”)) entered into separate Initial Hotels Lease Agreements with Favour Link International Limited (the “RHIHL Lessee”) in relation to the leasing of the Initial Hotels on 16th March, 2007 (as may be amended from time to time) with lease terms expired on 31st December, 2020. On 20th December, 2019, each of the Initial Hotel – Property Companies had entered into the supplemental lease agreement with the RHIHL Lessee to extend the leases (the “Lease Extensions/Amendments”) for the Regal Airport Hotel to 27th December, 2028 and the other four Initial Hotels, namely, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel, to 31st December, 2030, (together, the “Extended Period”), with the market rental packages for the Extended Period continuing to be determined annually by a jointly appointed independent professional property valuer. As a result, the total lease term of each Initial Hotels Lease Agreement is now from 30th March, 2007 to 27th December, 2028 (for Regal Airport Hotel) and 31st December, 2030 (for the other four Initial Hotels). The above-mentioned supplemental lease agreements were approved by the independent Unitholders at the extraordinary general meeting held on 15th January, 2020. References can be made to the related announcements dated 20th December, 2019 and 15th January, 2020 and the related circular to Unitholders dated 20th December, 2019, as published by the REIT Manager for further details of the Lease Extensions/Amendments. The RHIHL Lessee is a member of the RHIHL Connected Persons Group.

During the Interim Period, the cash market rental income and other income under the Initial Hotels Lease Agreements amounted to approximately HK\$236.2 million.

(b) Initial Hotels Management Agreements

Under the terms of each Initial Hotels Lease Agreement, the RHIHL Lessee has delegated the operation and management of the relevant Initial Hotel to Regal Hotels International Limited (the “Hotel Manager”) by entering into the Initial Hotels Management Agreement with the Hotel Manager for a term of twenty years from 16th March, 2007. The RHIHL Lessee and the Hotel Manager are both members of the RHIHL Connected Persons Group.

Each Initial Hotel – Property Company is also a party to the Initial Hotels Management Agreement on terms including that, upon the expiry or termination of any Initial Hotels Lease Agreement, the Hotel Manager will continue to manage the relevant Initial Hotel in accordance with the Initial Hotels Management Agreement.

(c) Initial Hotels Lease Guarantees

RHIHL, a member of the RHIHL Connected Persons Group, has guaranteed to pay all amounts from time to time owing or payable by the RHIHL Lessee to the Initial Hotel – Property Companies under the Initial Hotels Lease Agreements by entering into the lease guarantees (as may be amended from time to time) (the “Initial Hotels Lease Guarantees”). The Initial Hotels Lease Guarantees also contain indemnities in respect of all guaranteed liabilities. On 20th December, 2019, the supplemental lease guarantees in respect of each Initial Hotels were entered into with the Trustee and RHIHL to make consequential amendments in light of the Lease Extensions/Amendments, so that RHIHL’s obligation to maintain a third party guarantee will cover the Extended Period.

(d) Initial Hotels Deed of Trade Mark Licence

Regal International Limited, a member of the RHIHL Connected Persons Group, entered into a deed of trade mark licence with the REIT Manager and Regal REIT Group on 2nd March, 2007. Regal International Limited granted to the REIT Manager and each Initial Hotel – Property Company, inter alia, a non-exclusive and non-transferable licence to use its registered trade marks or service marks, in any jurisdiction where such marks are registered and free of any royalty, for the purpose of describing the ownership of each Initial Hotel and/or uses in connection with the business of each Initial Hotel.

(e) New Wan Chai Hotel Management Agreement

On 23rd December, 2010, Regal REIT (via Sonnix Limited (the “iclub Wan Chai Hotel – Property Company”)) entered into the Wan Chai Hotel Management Agreement with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of iclub Wan Chai Hotel for a 10-year term commencing on 1st January, 2011 and expiring on 31st December, 2020. Due to the Wan Chai Hotel Management Agreement expired on 31st December, 2020, on 20th December, 2019, the iclub Wan Chai Hotel – Property Company entered into the New Wan Chai Hotel Management Agreement with the Hotel Manager for a term of ten years on substantially the same terms as the Wan Chai Hotel Management Agreement, the key differences being: (a) the operating term is for ten years from 1st January, 2021 to 31st December, 2030; and (b) the inclusion of a non-fault based early termination provision. The New Wan Chai Hotel Management Agreement was approved by the independent Unitholders at the extraordinary general meeting held on 15th January, 2020. References can be made to the related announcements dated 20th December, 2019 and 15th January, 2020 and the related circular to Unitholders dated 20th December, 2019, as published by the REIT Manager for further details of the New Wan Chai Hotel Management Agreement.

During the Interim Period, total management fees under the New Wan Chai Hotel Management Agreement amounted to approximately HK\$0.1 million.

(f) New SW Lease Agreement

Regal REIT (via Tristan Limited (the “iclub Sheung Wan Hotel – Property Company”)) entered into the SW Lease Agreement in relation to the leasing of the iclub Sheung Wan Hotel with the RHIHL Lessee, a member of the RHIHL Connected Persons Group, on 10th February, 2014 (as may be amended from time to time). The term of the SW Lease Agreement was designated to expire on 31st December, 2019, which is extendable at the option of Regal REIT for a further five years. On 17th May, 2019, pursuant to the terms of the SW Lease Agreement, the iclub Sheung Wan Hotel – Property Company (as the Lessor) exercised the option granted to it to extend the lease term for another five years to 31st December, 2024. On 18th November, 2019, the iclub Sheung Wan Hotel – Property Company and the RHIHL Lessee entered into the New SW Lease Agreement for the iclub Sheung Wan Hotel to formally effect the extension of the abovementioned 5-year lease term. Save for the extension of the lease term as mentioned above, all the other terms and conditions of the New SW Lease Agreement remained the same as those in the SW Lease Agreement. Reference can be made to the related announcement dated 17th May, 2019, as published by the REIT Manager for further details of the lease extension for the iclub Sheung Wan Hotel.

During the Interim Period, the market rental income under the New SW Lease Agreement amounted to approximately HK\$13.0 million.

(g) SW Lease Guarantee

Pursuant to a lease guarantee entered into on 10th February, 2014, RHIHL, a member of the RHIHL Connected Persons Group, has guaranteed to pay all amounts from time to time owing or payable by the RHIHL Lessee to the iclub Sheung Wan Hotel – Property Company under the New SW Lease Agreement.

(h) SW Hotel Management Agreement

Regal REIT (via the iclub Sheung Wan Hotel – Property Company) entered into the SW Hotel Management Agreement with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of iclub Sheung Wan Hotel for a 10-year term commencing on 10th February, 2014.

(i) New FH Lease Agreement

Regal REIT (via Wise Decade Investments Limited (the “iclub Fortress Hill Hotel – Property Company”)) entered into the FH Lease Agreement in relation to the leasing of the iclub Fortress Hill Hotel with the RHIHL Lessee, a member of the RHIHL Connected Persons Group, on 28th July, 2014 (as may be amended from time to time). The term of the FH Lease Agreement was designated to expire on 31st December, 2019, which is extendable at the option of Regal REIT for a further five years. On 17th May, 2019, pursuant to the terms of the FH Lease Agreement, the iclub Fortress Hill Hotel – Property Company (as the Lessor) exercised the option granted to it to extend the lease term for another five years to 31st December, 2024. On 18th November, 2019, the iclub Fortress Hill Hotel – Property Company and the RHIHL Lessee entered into the New FH Lease Agreement for the iclub Fortress Hill Hotel to formally effect the extension of the abovementioned 5-year lease term. Save for the extension of the lease term as mentioned above, all the other terms and conditions of the New FH Lease Agreement remained the same as those in the FH Lease Agreement. Reference can be made to the related announcement dated 17th May, 2019, as published by the REIT Manager for further details of the lease extension for the iclub Fortress Hill Hotel.

During the Interim Period, the market rental income under the New FH Lease Agreement amounted to approximately HK\$13.0 million.

(j) FH Lease Guarantee

Pursuant to a lease guarantee entered into on 28th July, 2014, RHIHL, a member of the RHIHL Connected Persons Group, has guaranteed to pay all amounts from time to time owing or payable by the RHIHL Lessee to the iclub Fortress Hill Hotel – Property Company under the New FH Lease Agreement.

(k) FH Hotel Management Agreement

Regal REIT (via the iclub Fortress Hill Hotel – Property Company) entered into the FH Hotel Management Agreement with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of iclub Fortress Hill Hotel for a 10-year term commencing on 28th July, 2014.

(l) New Tenancy Agreement

On 19th January, 2017, Regal REIT (via the iclub Wan Chai Hotel – Property Company), as landlord, entered into a tenancy agreement with Cheerview Limited, a member of the RHIHL Connected Persons Group, as tenant (the “RHIHL Tenant”), for the leasing of Shop Nos. A and B, G/F., No. 211 Johnston Road, Wanchai, Hong Kong (the “Premises”), which is part of the iclub Wan Chai Hotel, for a 3-year term commencing on 20th January, 2017 (the “Tenancy Agreement”) at a rental of HK\$140,000 per calendar month, exclusive of air-conditioning charges, management fees, government rates and other outgoing expenses, payable monthly in advance. Pursuant to the terms of the Tenancy Agreement, the RHIHL Tenant shall be entitled to an option to renew the Tenancy Agreement for a further three years from the date of expiry of the Tenancy Agreement at a market rent to be determined by the principal valuer of Regal REIT.

On 17th January, 2020, the iclub Wan Chai Hotel – Property Company entered into a new tenancy agreement with the RHIHL Tenant for the leasing of the Premises for a new 3-year term commencing on 20th January, 2020 (the “New Tenancy Agreement”), instead of exercising the option granted to the RHIHL Tenant to extend the Tenancy Agreement, with the inclusion of a right for the RHIHL Tenant to early terminate the tenancy after a period of six months from 20th January, 2020 by serving a two months’ prior written notice.

Pursuant to the terms of the New Tenancy Agreement, a new rental of HK\$130,000 per calendar month (exclusive of air-conditioning charges, management fees, government rates and other outgoing expenses) is payable monthly in advance. The RHIHL Tenant shall be entitled to an option to renew the New Tenancy Agreement for a further three years from the date of expiry of the New Tenancy Agreement at a market rent to be determined by the principal valuer of Regal REIT. Reference can be made to the related announcement dated 20th January, 2020, as published by the REIT Manager for further details of the New Tenancy Agreement.

During the Interim Period, total contractual lease income under the New Tenancy Agreement amounted to approximately HK\$0.9 million.

(m) MTW Lease Agreement

Regal REIT (via Land Crown International Limited (the “iclub Ma Tau Wai Hotel – Property Company”)) entered into the MTW Lease Agreement in relation to the leasing of the iclub Ma Tau Wai Hotel with the RHIHL Lessee, a member of the RHIHL Connected Persons Group, on 4th September, 2017. The term of the MTW Lease Agreement expires on 3rd September, 2022, which is extendable at the option of Regal REIT for a further term to 31st December, 2027.

During the Interim Period, the contractual cash rental receipts under the MTW Lease Agreement amounted to approximately HK\$32.3 million.

(n) MTW Lease Guarantee

Pursuant to a lease guarantee entered into on 4th September, 2017, RHIHL, a member of the RHIHL Connected Person Group, has guaranteed to pay all amounts from time to time owing or payable by the RHIHL Lessee to the iclub Ma Tau Wai Hotel – Property Company under the MTW Lease Agreement.

(o) MTW Hotel Management Agreement

Regal REIT (via the iclub Ma Tau Wai Hotel – Property Company) entered into the MTW Hotel Management Agreement with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of iclub Ma Tau Wai Hotel for a 10-year term commencing on 4th September, 2017.

REIT Manager Fees

Regal Portfolio Management Limited, a member of the RHIHL Connected Persons Group, was appointed as the REIT Manager of Regal REIT. REIT Manager fees aggregating approximately HK\$42.5 million for such services rendered during the Interim Period were settled and/or are to be settled pursuant to the provisions of the Trust Deed.

TRUSTEE CONNECTED PERSONS GROUP

Both the REIT Manager and the Trustee have confirmed that, other than those banking transactions of which the members of the Trustee Connected Persons Group acted as custodian and/or agent and conducted agency transactions with Regal REIT Group, there were no corporate finance transactions or other connected party transactions with the Trustee Connected Persons Group during the Interim Period.

Trustee Fees

DB Trustees (Hong Kong) Limited, a member of the Trustee Connected Persons Group, was appointed as the Trustee of Regal REIT. Trustee fees aggregating approximately HK\$1.8 million were recorded during the Interim Period for services rendered in this capacity.

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors of the REIT Manager have reviewed the terms of all relevant connected party transactions above and were satisfied that those transactions were entered into:

- (a) in the ordinary and usual course of business of Regal REIT;
- (b) 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
- (c) in accordance with the relevant agreements and deeds and the REIT Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the best interests of Unitholders as a whole.

DISCLOSURE OF INTERESTS

The REIT Code requires Connected Persons (as defined in paragraph 8.1 of the REIT Code) of Regal REIT to disclose their interests in the Units. As well, the provisions of Part XV of the SFO are deemed by the Trust Deed to apply to the REIT Manager, the directors or the chief executives of the REIT Manager, and to persons interested in the Units.

HOLDINGS OF SUBSTANTIAL UNITHOLDERS

As at 30th June, 2021, the interests of the Substantial Unitholders (as defined in paragraph 8.1 of the REIT Code) (not being a director or chief executive of the REIT Manager) in Units, as recorded in the register (the "Register") required to be kept under the Trust Deed, were as follows:

Name of Substantial Unitholders	Total number of issued Units held	Approximate percentage of the issued Units as at 30th June, 2021 ^(x)
Century City International Holdings Limited ("CCIHL")	2,443,033,102 (Note i)	74.99%
Century City BVI Holdings Limited ("CCBVI")	2,443,033,102 (Notes i & ii)	74.99%
Paliburg Holdings Limited ("PHL")	2,440,346,102 (Notes iii & iv)	74.92%
Paliburg Development BVI Holdings Limited ("PDBVI")	2,440,346,102 (Notes iii & v)	74.92%
Regal Hotels International Holdings Limited ("RHIHL")	2,439,613,739 (Notes vi & vii)	74.89%
Regal International (BVI) Holdings Limited ("RBVI")	2,439,613,739 (Notes vi & viii)	74.89%
Complete Success Investments Limited	1,817,012,072 (Note ix)	55.78%
Great Prestige Investments Limited	373,134,326 (Note ix)	11.45%

Notes:

- (i) The interests in 2,443,033,102 Units held by each of CCIHL and CCBVI were the same parcel of Units, which were directly held by wholly-owned subsidiaries of CCBVI, PDBVI and RBVI, respectively.
- (ii) CCBVI is a wholly-owned subsidiary of CCIHL and its interests in Units are deemed to be the same interests held by CCIHL.
- (iii) The interests in 2,440,346,102 Units held by each of PHL and PDBVI were the same parcel of Units, which were directly held by wholly-owned subsidiaries of PDBVI and RBVI, respectively.

- (iv) PHL is a listed subsidiary of CCBVI, which held an approximately 62.28% shareholding interest in PHL as at 30th June, 2021, and its interests in Units are deemed to be the same interests held by CCBVI.
- (v) PDBVI is a wholly-owned subsidiary of PHL and its interests in Units are deemed to be the same interests held by PHL.
- (vi) The interests in 2,439,613,739 Units held by each of RHIHL and RBVI were the same parcel of Units, which were directly held by wholly-owned subsidiaries of RBVI.
- (vii) RHIHL is a listed subsidiary of PDBVI, which held an approximately 69.25% shareholding interest in RHIHL as at 30th June, 2021, and its interests in Units are deemed to be the same interests held by PDBVI.
- (viii) RBVI is a wholly-owned subsidiary of RHIHL and its interests in Units are deemed to be the same interests held by RHIHL.
- (ix) These companies are wholly-owned subsidiaries of RBVI and their respective direct interests in Units are deemed to be the same interests held by RBVI.
- (x) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 30th June, 2021.

Save as disclosed herein, there were no other persons who, as at 30th June, 2021, had interests in Units which are required to be recorded in the Register.

HOLDINGS OF THE REIT MANAGER, DIRECTOR AND CHIEF EXECUTIVE OF THE REIT MANAGER

As at 30th June, 2021, the interests of the REIT Manager, director and the chief executive of the REIT Manager in Units, as recorded in the Register, were as follows:

Name of Director of the REIT Manager	Total number of issued Units held	Approximate percentage of the issued Units as at 30th June, 2021⁽ⁱⁱ⁾
LO Yuk Sui	2,443,033,102 (Note i)	74.99%

Notes:

- (i) The interests in 2,443,033,102 Units were the same parcel of Units held through CCIHL in which Mr. Lo Yuk Sui held approximately 58.68% shareholding interest as at 30th June, 2021.
- (ii) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 30th June, 2021.

Save as disclosed herein, as at 30th June, 2021, the REIT Manager, the director and the chief executive of the REIT Manager did not have any interests in Units, which are required to be recorded in the Register. Save for the interests of the Substantial Unitholders and the Director of the REIT Manager (also being the Connected Persons of Regal REIT) in Units as disclosed herein, the REIT Manager is not aware of any other Connected Persons of Regal REIT holding any Units.

PERFORMANCE TABLE

As at 30th June, 2021

	Notes	Six months ended 30th June, 2021	Six months ended 30th June, 2020	Six months ended 30th June, 2019	Six months ended 30th June, 2018	Six months ended 30th June, 2017
Net assets attributable to Unitholders (HK\$'million)		11,612.0	12,348.4	16,695.3	16,229.5	14,995.6
Net asset value per Unit attributable to Unitholders (HK\$)		3.565	3.791	5.125	4.982	4.604
The highest traded price during the period (HK\$)	1	1.78	2.01	2.52	2.47	2.33
The lowest traded price during the period (HK\$)		1.28	1.11	2.20	2.30	2.05
The highest discount of the traded price to net asset value per Unit attributable to Unitholders		64.10%	70.72%	57.07%	53.83%	55.47%
Distribution yield per Unit	2	2.69%	4.92%	2.81%	3.22%	3.22%

Notes:

1. The highest traded price during all the relevant periods was lower than the net asset value per Unit attributable to Unitholders reported at the end of those periods. Accordingly, no premium for the traded price to net asset value per Unit attributable to Unitholders is presented.
2. Distribution yield per Unit for the six months ended 30th June, 2021 is calculated by dividing the interim distribution per Unit of HK\$0.045 over the closing price of HK\$1.67 on the last trading day for the period. The calculation of the interim distribution per Unit is set out in the section "Distribution Statement" on page 38.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	4	289,793	429,882
Gross hotel revenue	4	5,295	5,208
		<u>295,088</u>	<u>435,090</u>
Property and hotel operating expenses		<u>(7,054)</u>	<u>(6,590)</u>
Net rental and hotel income	4	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	5	(42,474)	(50,943)
Trust, professional and other expenses	6	(3,917)	(5,765)
Finance costs - excluding distribution to Unitholders	7	<u>(70,984)</u>	<u>(138,503)</u>
LOSS BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS		(46,131)	(2,058,241)
Income tax expense	8	<u>(28,333)</u>	<u>(37,968)</u>
LOSS FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS		(74,464)	(2,096,209)
Finance costs - distribution to Unitholders		<u>(247,565)</u>	<u>(182,416)</u>
LOSS FOR THE PERIOD, AFTER DISTRIBUTION TO UNITHOLDERS		<u>(322,029)</u>	<u>(2,278,625)</u>
LOSS PER UNIT ATTRIBUTABLE TO UNITHOLDERS			
Basic and diluted	9	<u>HK\$(0.023)</u>	<u>HK\$(0.644)</u>

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	20	(634)	8,706
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		3,206	(44,058)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		3,206	(44,058)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS		(71,258)	(2,140,267)

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	12	—	1,584
Total non-current assets		<u>22,163,000</u>	<u>22,373,584</u>
Current assets			
Accounts receivable	13	7,385	9,361
Prepayments, deposits and other receivables		6,315	6,066
Due from related companies	25(b)	697	358
Tax recoverable		283	3,005
Finance lease receivables	12	6,723	10,218
Restricted cash	14	88,673	88,493
Cash and cash equivalents	15	32,228	244,017
Total current assets		<u>142,304</u>	<u>361,518</u>
Total assets		<u>22,305,304</u>	<u>22,735,102</u>
Current liabilities			
Accounts payable	16	23,037	60,801
Deposits received		207	326
Due to related companies	25(b)	446	961
Other payables and accruals		17,205	21,489
Contract liabilities	17	527	377
Interest-bearing bank borrowings	19	4,670,839	4,756,330
Lease liabilities	18	6,723	10,218
Tax payable		17,983	14,055
Total current liabilities		<u>4,736,967</u>	<u>4,864,557</u>
Net current liabilities		<u>(4,594,663)</u>	<u>(4,503,039)</u>
Total assets less current liabilities		<u>17,568,337</u>	<u>17,870,545</u>

		30th June, 2021	31st December, 2020
	Notes	(unaudited)	(audited)
		HK\$'000	HK\$'000
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing bank borrowings	19	5,297,452	5,292,390
Lease liabilities	18	—	1,584
Deposits received		2,667	2,667
Deferred tax liabilities	20	656,181	643,044
Total non-current liabilities		5,956,300	5,939,685
Total liabilities, excluding net assets attributable to Unitholders			
		10,693,267	10,804,242
Net assets attributable to Unitholders			
		11,612,037	11,930,860
Number of Units in issue			
	21	3,257,431,189	3,257,431,189
Net asset value per Unit attributable to Unitholders			
	22	HK\$3.565	HK\$3.663

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the six months ended 30th June, 2021

	Units (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Property revaluation reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000
Net assets as at 1st January, 2021	8,432,356	15,876	128,511	3,354,117	11,930,860
Loss for the period	—	—	—	(74,464)	(74,464)
Other comprehensive income for the period:					
Gain on revaluation of property, net of tax	—	—	3,206	—	3,206
Total comprehensive loss for the period, before distribution to Unitholders	—	—	3,206	(74,464)	(71,258)
Transfer of depreciation on hotel property	—	—	(639)	639	—
Finance costs - distribution to Unitholders	—	—	—	(247,565)	(247,565)
Net assets as at 30th June, 2021	<u>8,432,356</u>	<u>15,876</u>	<u>131,078</u>	<u>3,032,727</u>	<u>11,612,037</u>

For the six months ended 30th June, 2020

	Units (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Property revaluation reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000
Net assets as at 1st January, 2020	8,432,356	15,876	182,699	6,040,162	14,671,093
Loss for the period	—	—	—	(2,096,209)	(2,096,209)
Other comprehensive loss for the period:					
Loss on revaluation of property, net of tax	—	—	(44,058)	—	(44,058)
Total comprehensive loss for the period, before distribution to Unitholders	—	—	(44,058)	(2,096,209)	(2,140,267)
Transfer of depreciation on hotel property	—	—	(928)	928	—
Finance costs - distribution to Unitholders	—	—	—	(182,416)	(182,416)
Net assets as at 30th June, 2020	<u>8,432,356</u>	<u>15,876</u>	<u>137,713</u>	<u>3,762,465</u>	<u>12,348,410</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 as defined in the Trust Deed ("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 (the "FF&E Reserve") with respect to Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, Regal Riverside Hotel (collectively, the "Initial Hotels" and each referred to as the "Initial Hotel"), 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).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2021

	Note	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Net cash flows from operating activities		131,056	169,916
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(31)	(55)
Additions to investment properties		(4,069)	(24,193)
Principal portion of finance lease received		5,079	4,963
Decrease/(increase) in restricted cash		(180)	2,985
Increase in time deposit with an original maturity of more than three months		(13)	(11,233)
Net cash flows from/(used in) investing activities		786	(27,533)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank borrowings		203,000	—
Repayment of bank borrowings		(294,000)	(35,000)
Principal portion of lease payments		(5,079)	(4,963)
Distribution paid		(247,565)	(182,416)
Decrease in restricted cash		—	1,199
Net cash flows used in financing activities		(343,644)	(221,180)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(211,802)	(78,797)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		232,684	120,155
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		20,882	41,358
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	15	32,228	52,591
Non-pledged time deposit with an original maturity of more than three months	15	(11,346)	(11,233)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		20,882	41,358

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2021

1. GENERAL

Regal Real Estate Investment Trust ("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 (the "Units") were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30th March, 2007. Regal REIT is governed by a trust deed (the "Trust Deed") dated 11th December, 2006 (date of establishment), made between Regal Portfolio Management Limited (the "REIT Manager") and DB Trustees (Hong Kong) Limited (the "Trustee") (as amended and restated by the first amending and restating deed dated 23rd March, 2021) and the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission (the "SFC").

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 the unitholders of Regal REIT (the "Unitholders") and to achieve long-term growth in the net asset value per Unit.

The addresses of the registered office of the REIT Manager and the Trustee are Unit No. 2001, 20th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong and Level 60, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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 SFC.

2.2 Basis of preparation

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. These 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.

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	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment 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 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.

3. 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
	<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 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 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.

4. NET RENTAL AND HOTEL INCOME

Revenue represents the gross rental revenue received and receivable from its investment properties, and gross hotel revenue during the period.

The net rental and hotel income represents the aggregate of:

- (a) Net rental income, being the gross rental revenue less property operating expenses; and
- (b) Net hotel income, being the gross hotel revenue less hotel operating expenses.

An analysis of the gross and net rental and hotel income is as follows:

	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>5,295</u>	<u>5,208</u>
		<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	—	—
	13,000	20,500

(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)
	30,332	30,499

(e) Gross hotel revenue is recognised over time.

5. 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	8,669	13,024
	<u>42,474</u>	<u>50,943</u>

Under the Trust Deed, the REIT Manager is entitled to receive the following:

- a base fee (the "Base Fee") of currently 0.3% (subject to a maximum of 0.5%) per annum of the value of the deposited property of Regal REIT which is payable monthly (in the form of Units and/or cash) and subject to adjustments (in the form of cash) based on the value of the deposited property of Regal REIT as at the end of the reporting period for the relevant financial year; and
- a variable fee (the "Variable Fee") of currently 3% (subject to a maximum of 5%) per annum of the net property income for the relevant financial year as defined in the Trust Deed in respect of each Initial Hotel, iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub Ma Tau Wai Hotel, which is payable annually.

For the financial years 2021 and 2020, the REIT Manager elected to receive its Base Fees and Variable Fees in the form of cash, details of which can be referred to an announcement of Regal REIT published on 8th December, 2020.

6. TRUST, PROFESSIONAL AND OTHER EXPENSES

	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Auditor's remuneration	1,088	1,088
Legal and other professional fees	471	1,631
Trustee fees	1,758	1,973
Other expenses	600	1,073
	<u>3,917</u>	<u>5,765</u>

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	112	228
	<u>69,353</u>	<u>136,594</u>
Others	1,631	1,909
	<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 (note 20)	12,503	15,270
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)
	543,000
At 31st December, 2020 (audited) and 1st January, 2021	
Additions	31
Surplus on revaluation	3,840
Depreciation provided during the period	(3,871)
	543,000
At 30th June, 2021 (unaudited)	

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 Limited ("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 property, plant and equipment is categorised as Level 3 in the fair value hierarchy.

The iclub Wan Chai Hotel has been pledged to secure banking facilities granted to the Group (note 19).

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.

Further particulars of the Group's hotel properties are included on page 68.

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 REIT Manager has determined that the investment properties constitute two classes of asset (i.e. hotel and commercial properties) based on the nature, characteristics and risks of each property.

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). The investment properties are leased to a related company and other commercial tenants under operating leases. Further details of which are included in note 18 to the condensed consolidated financial statements.

Initial Hotels, together with iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub Ma Tau Wai Hotel, have been pledged to secure banking facilities granted to the Group (note 19).

Further particulars of the Group's investment properties are included on pages 67 to 68.

Upon the adoption of HKFRS 16, the Group recognised right-of-use assets as investment properties.

The investment properties and the investment properties - right-of-use assets are categorised as Level 3 in the fair value hierarchy.

12. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Amounts receivable:				
Not later than one year	6,780	10,384	6,723	10,218
Later than one year and not later than five years	—	1,588	—	1,584
	6,780	11,972	6,723	11,802
Less: Unearned finance income	(57)	(170)		
	6,723	11,802		
Portion classified as current assets	(6,723)	(10,218)		
Non-current portion	—	1,584		

The effective interest rates of the finance leases of the premises as at 30th June, 2021 ranged from 2.29% to 2.45% per annum.

No finance lease receivable is past due at the end of the reporting period.

13. 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
	<u>7,385</u>	<u>9,361</u>

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.

14. RESTRICTED CASH

The restricted cash of the Group is kept in designated bank accounts in accordance with the relevant facility agreements and is restricted mainly for servicing finance costs on certain interest-bearing bank borrowings, funding and utilisation of furniture, fixtures and equipment expenditures for the Initial Hotels, iclub Wan Chai Hotel - Hotel portion, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, and holding rental deposits from certain tenants.

15. CASH AND CASH EQUIVALENTS

	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Cash and bank balances	20,882	232,684
Non-pledged time deposit with an original maturity of more than three months when acquired	11,346	11,333
Cash and cash equivalents	32,228	244,017

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

16. 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	202	330
	23,037	60,801

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.

17. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Advances from customers	<u>527</u>	<u>377</u>

Contract liabilities include advance receipts from customers under hotel operations.

18. LEASE

The Group as a lessee

The Group has lease contracts for various premises used in its operations. Leases of premises generally have lease terms between 1 and 12 years.

(a) Lease liabilities

The carrying amount of lease liabilities and the movements during the period/year are as follows:

	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Carrying amount at 1st January	11,802	21,787
Accretion of interest recognised during the period/year	112	398
Payments	(5,191)	(10,383)
Carrying amount at 30th June/31st December	<u>6,723</u>	<u>11,802</u>
Analysed into:		
Current portion	6,723	10,218
Non-current portion	—	1,584
	<u>6,723</u>	<u>11,802</u>

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Interest on lease liabilities	112	398
Expenses relating to short-term leases (included in property and hotel operating expenses)	30	60
Total amount recognised in profit or loss	<u>142</u>	<u>458</u>

(c) The total cash outflow for leases is HK\$5,221,000 (six months ended 30th June, 2020: HK\$5,221,000).

The Group as a lessor

The Group leases its investment properties and investment properties - right-of-use assets (note 11) consisting of hotel properties, commercial properties and premises in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Within one year	334,473	592,580
After one year but within two years	15,558	49,851
After two years but within three years	—	1,730
	<u>350,031</u>	<u>644,161</u>

19. INTEREST-BEARING BANK BORROWINGS

	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Interest-bearing bank borrowings	9,991,000	10,082,000
Debt establishment costs	(22,709)	(33,280)
	9,968,291	10,048,720
Portion classified as current liabilities	(4,670,839)	(4,756,330)
Non-current portion	5,297,452	5,292,390
Amounts repayable:		
Within one year	4,670,839	4,756,330
In the second year	2,990,906	—
In the third to fifth years, inclusive	2,306,546	5,292,390
	9,968,291	10,048,720

On 12th September, 2016, Regal REIT, through wholly-owned subsidiaries, Bauhinia Hotels Limited and Rich Day Investments Limited, 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. As at 30th June, 2021, the 2016 IH Facilities 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, Ricobem Limited, 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 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.

On 19th July, 2019, Regal REIT, through a wholly-owned subsidiary, Sonnix Limited, entered into a facility agreement for a term loan facility of HK\$440.0 million (the "2019 WC Facility"), for a term of five years to July 2024. The 2019 WC Facility is secured by the iclub Wan Chai Hotel. 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, Tristan Limited, 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 (the "2018 SW Facilities"), secured by the iclub Sheung Wan Hotel. The 2018 SW Facilities 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, Wise Decade Investments Limited, 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) (the “2018 FH Facilities”), secured by the iclub Fortress Hill Hotel. The 2018 FH Facilities 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, Land Crown International Limited, arranged a term loan facility of HK\$748.0 million (the “2017 MTW Facility”), secured by the iclub Ma Tau Wai Hotel. The 2017 MTW Facility has a term of three years to September 2020. 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. 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.

As at 30th June, 2021, the outstanding loan facilities bore interest at the Hong Kong Interbank Offered Rate plus an interest margin ranging from 0.92% per annum to 1.20% per annum (31st December, 2020: ranging from 0.92% per annum to 1.20% per annum).

Bank borrowings under the 2016 IH Facilities, the 2018 RKH Facility, the 2019 WC Facility, the 2018 SW Facilities, the 2018 FH Facilities and the 2020 MTW Facility are guaranteed by Regal REIT and/or certain individual companies of the Group on a joint and several basis.

The Group’s interest-bearing bank borrowings are also secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, relating to the relevant properties;
- (iii) charges over each relevant rental account, sales proceeds account and other control accounts of the Group, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Group; and
- (v) an equitable charge over the shares in the relevant companies of the Group.

20. 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 (note 8)	<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.

21. 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>

22. 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.

23. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Lease liabilities HK\$'000	Interest- bearing bank borrowings HK\$'000
At 1st January, 2020	21,787	9,931,433
Changes from financing cash flows	(9,985)	96,411
Non-cash change:		
Amortisation of debt establishment costs	—	20,876
	<u>11,802</u>	<u>10,048,720</u>
At 31st December, 2020 (audited) and at 1st January, 2021	11,802	10,048,720
Changes from financing cash flows	(5,079)	(91,000)
Non-cash change:		
Amortisation of debt establishment costs	—	10,571
	<u>6,723</u>	<u>9,968,291</u>
At 30th June, 2021 (unaudited)	<u>6,723</u>	<u>9,968,291</u>

24. COMMITMENTS

The Group had the following capital commitments in respect of its properties at the end of the reporting period:

	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Authorised and contracted for	710	—
Authorised, but not contracted for	72,509	75,030
	<u>73,219</u>	<u>75,030</u>

25. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with connected and/or related parties during the period:

Connected/related parties	Relationship with the Group
DB Trustees (Hong Kong) Limited	The Trustee of Regal REIT
Deutsche Bank AG and its associates (the "Deutsche Bank Group")	Connected persons of the Trustee
Regal Hotels International Holdings Limited and other members of its group (collectively, the "RHIHL Group")	Substantial Unitholder of Regal REIT
Regal Portfolio Management Limited	The REIT Manager of Regal REIT and a member of the RHIHL Group
Paliburg Holdings Limited and other members of its group (collectively, the "PHL Group")	Controlling shareholders of the RHIHL Group

(a) Transactions with connected/related parties:

	Notes	Six months ended 30th June, 2021 (unaudited) HK\$'000	Six months ended 30th June, 2020 (unaudited) HK\$'000
Contractual rental income received/receivable from the RHIHL Group	(i)	294,540	432,844
Rental income received/receivable from the RHIHL Group	(ii)	866	871
Hotel management fees charged by the RHIHL Group	(iii)	(106)	(104)
Marketing fees charged by the RHIHL Group	(iv)	(53)	(52)
Building management fees charged by the PHL Group	(v)	(316)	(316)
REIT Manager fees	(vi)	(42,474)	(50,943)
Trustee fees	(vii)	(1,758)	(1,973)
Meeting fees charged by the RHIHL Group	(viii)	—	(234)

Notes:

- (i) The rental income earned by the Group was in accordance with the relevant lease agreements with respect to the Initial Hotels, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub Ma Tau Wai Hotel.
- (ii) The rental income earned by the Group was in accordance with the relevant tenancy agreement with respect to Shop Nos. A & B, which is part of the iclub Wan Chai Hotel.
- (iii) The hotel management fees in respect of iclub Wan Chai Hotel - Hotel portion were comprised of (a) a base fee, for an amount based on 2% of the gross hotel revenue, and (b) an incentive fee based on 5% of the excess of the gross operating profit over the base fee and fixed charges in accordance with the corresponding hotel management agreement.
- (iv) The marketing fees in respect of iclub Wan Chai Hotel - Hotel portion were charged at 1% of the gross hotel revenue of iclub Wan Chai Hotel - Hotel portion in accordance with the corresponding hotel management agreement.
- (v) The building management fees were charged at a mutually agreed amount payable on a monthly basis in respect of iclub Wan Chai Hotel - Non-hotel portions.
- (vi) The REIT Manager is entitled to receive Base Fees and Variable Fees, details of which, including the terms, are set out in note 5 to the condensed consolidated financial statements.
- (vii) The Trustee is entitled to receive trustee fees (calculated and payable quarterly) at rates ranging from 0.015% per annum to 0.025% per annum based on the value of the deposited property of Regal REIT as at the end of the reporting period subject to a minimum of HK\$66,000 per month.
- (viii) The meeting fees were charged at mutually agreed amounts.

The above transactions have been entered into in the ordinary course of business and on normal commercial terms.

(b) Balances with connected/related parties were as follows:

	Notes	30th June, 2021 (unaudited) HK\$'000	31st December, 2020 (audited) HK\$'000
Net amounts due from/(to) the RHIHL Group:			
Accounts payable to related companies	(i)	(22,835)	(60,471)
Deposit received	(iii)	(433)	(433)
Amounts due from related companies	(i)	697	358
Amounts due to related companies	(i)	(446)	(961)
Net amounts due from the PHL Group:			
Deposits paid	(i)	1,212	1,212
Net amounts due to:			
The Trustee	(ii)	(878)	(650)
Restricted and non-restricted bank balances with the Deutsche Bank Group			
	(iv)	154	155

Notes:

- (i) The amounts are unsecured, interest-free and repayable on demand/within one year.
 - (ii) The amount is unsecured and repayable in accordance with the terms of the Trust Deed.
 - (iii) The amount is repayable in accordance with the terms of the relevant agreement.
 - (iv) The bank balances earn interest at prevailing market rates.
- (c) The RHIHL Group has guaranteed to pay all amounts from time to time owing or payable by the lessee of the Initial Hotels to the Group under the respective lease agreements, when the same become due, together with other charges and outgoings, interest, default interest, fees and costs. In this connection, the RHIHL Group undertook to maintain a minimum consolidated tangible net worth (as defined in the relevant agreements) of HK\$4 billion. Under the Market Rental Package for 2021, the RHIHL Group provided third party guarantee as security deposit for an amount of HK\$115.0 million (2020: HK\$177.5 million), which is equivalent to three-month Base Rent for the year 2021, issued by a licensed bank in Hong Kong.
- (d) Under a deed of trade mark licence, the RHIHL Group granted the REIT Manager and companies holding the Initial Hotels within the Group a non-exclusive and non-transferable licence at nil consideration to use its registered trade marks or service marks for the purpose of describing the ownership of the Initial Hotels and/or use in connection with the business of the Initial Hotels.
- (e) On 10th February, 2014, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Sheung Wan Hotel for a 10-year term commencing on 10th February, 2014.

- (f) On 28th July, 2014, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Fortress Hill Hotel for a 10-year term commencing on 28th July, 2014.
- (g) On 4th September, 2017, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Ma Tau Wai Hotel for a 10-year term commencing on 4th September, 2017.
- (h) On 20th December, 2019, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of iclub Wan Chai Hotel for a 10-year term commencing on 1st January, 2021.

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The REIT Manager considers that the carrying amounts of the financial assets and financial liabilities recorded in the condensed consolidated financial statements approximated their fair values at the end of the reporting period.

27. EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting period, on 10th August, 2021, the Group concluded a new 5-year financing facility with a syndicate of banks, which comprises a term loan of HK\$4,500.0 million and a revolving loan of up to HK\$500.0 million and is 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



**To the board of directors of Regal Portfolio Management Limited
(as manager of Regal Real Estate Investment Trust)**

INTRODUCTION

We have reviewed the interim financial information set out on pages 33 to 65, which comprises the condensed consolidated statement of financial position of Regal Real Estate Investment Trust ("Regal REIT") and its subsidiaries as at 30th June, 2021, and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in net assets and statement of cash flows and the distribution statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The Manager of Regal REIT is responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

24th August, 2021

SUMMARY OF PROPERTY PORTFOLIO

As at 30th June, 2021

	Description	Use	Lease	Gross Floor Area (sq.m.)	Approx. Covered Floor Area (sq.m.)	Percentage interest attributable to Regal REIT
(1)	Regal Airport Hotel 9 Cheong Tat Road Hong Kong International Airport Chek Lap Kok New Territories Hong Kong	Hotel	Medium term	71,988	83,400	100
(2)	Regal Hongkong Hotel 88 Yee Wo Street Causeway Bay Hong Kong	Hotel	Long term	25,090	32,000	100
(3)	Regal Kowloon Hotel 71 Mody Road Tsimshatsui Kowloon Hong Kong	Hotel	Long term	31,746	43,500	100
(4)	Regal Oriental Hotel 30-38 Sa Po Road and Shops 3-11 on G/F including Cockloft of Shops 5-7 and the whole of 1/F Po Sing Court 21-25 Shek Ku Lung Road 40-42 Sa Po Road and 15-29 Carpenter Road Kowloon City Kowloon Hong Kong	Hotel	Medium term	22,601	27,300	100

As at 30th June, 2021

	Description	Use	Lease	Gross Floor Area (sq.m.)	Approx. Covered Floor Area (sq.m.)	Percentage interest attributable to Regal REIT
(5)	Regal Riverside Hotel 34-36 Tai Chung Kiu Road Shatin, New Territories Hong Kong	Hotel	Medium term	59,668	69,100	100
(6)	iclub Wan Chai Hotel Shops A, B and C on G/F, Flat Roof on 3/F, Whole of 5-12/F, 15-23/F and 25-29/F Eastern and Western Elevations of External Walls Architectural Feature at Roof Top and Upper Roof 211 Johnston Road Wan Chai Hong Kong	Hotel/ commercial	Long term	5,326	5,530	100
(7)	iclub Sheung Wan Hotel 138 Bonham Strand Sheung Wan Hong Kong	Hotel	Long term	7,197	9,600	100
(8)	iclub Fortress Hill Hotel 18 Merlin Street North Point Hong Kong	Hotel	Long term	6,849	9,400	100
(9)	iclub Ma Tau Wai Hotel 8 Ha Heung Road Kowloon Hong Kong	Hotel	Long term	6,298	9,490	100



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