



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 ANNUAL 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

Regal Portfolio Management Limited (the "REIT Manager")
Unit No. 2001, 20th Floor,
68 Yee Wo Street,
Causeway Bay,
Hong Kong.
Tel: 2805-6336
Fax: 2577-8686
Email: info@regalreit.com

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

NOMINATION COMMITTEE OF THE REIT MANAGER

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

RESPONSIBLE OFFICERS OF THE REIT MANAGER

Johnny Chen Sing Hung
Simon Lam Man Lim

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

Colliers International (Hong Kong) Limited

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited
Bank of Communications (Hong Kong) Limited
The Bank of East Asia, Limited
Cathay United Bank Company, Limited, Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank 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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wan Chai,
Hong Kong.

WEBSITE

www.RegalREIT.com



Chairman – Y.S. Lo

Dear Unitholders,

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

FINANCIAL RESULTS

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

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

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

HOTEL MARKET AND BUSINESS REVIEW

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

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

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

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

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

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

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

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

In addition to the five Initial Hotels under the “Regal” brand, Regal REIT also owns a separate line of select-service hotels under the “iclub” brand name, which was developed by the RHHL group. Currently, there are four iclub Hotels owned by Regal REIT and all operating in Hong Kong.

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and is presently self-operated by Regal REIT. The average occupancy rate for this hotel in 2021 was 82.0%, as compared to 73.9% in 2020. Over the same comparative period, its average room rate increased by 3.1%, with its average RevPAR consequently improved by 14.4% year-on-year. This hotel generated a modest gross operating profit during the year.

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

Same as with the Initial Hotels, the rental packages for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel are determined annually by a jointly appointed independent professional property valuer. Under the market rental reviews also concluded in November 2021, the base rent for 2022 for each of these two hotels was determined to be HK\$27.0 million, which is a slight increase of HK\$1.0 million above their respective annual base rents in 2021. Variable rent will continue to be based on 50% sharing of the excess of the net property income over the base rent of each hotel.

The iclub Ma Tau Wai Hotel, acquired in September 2017, is still within the 5-year fixed rental term that ends in early September 2022. In December 2021, the REIT Manager exercised the option granted to it under the existing lease agreement to extend the lease term to 31st December, 2027, with the rentals in the extended term to be based on independent annual market rental reviews. For the year under review, this hotel earned cash rentals of HK\$65.7 million.

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

BUSINESS OUTLOOK

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

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

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

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

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

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

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

Taking this occasion, I would like to express my gratitude to my fellow Directors, the entire staff team as well as all Unitholders for their continued support during the past year.

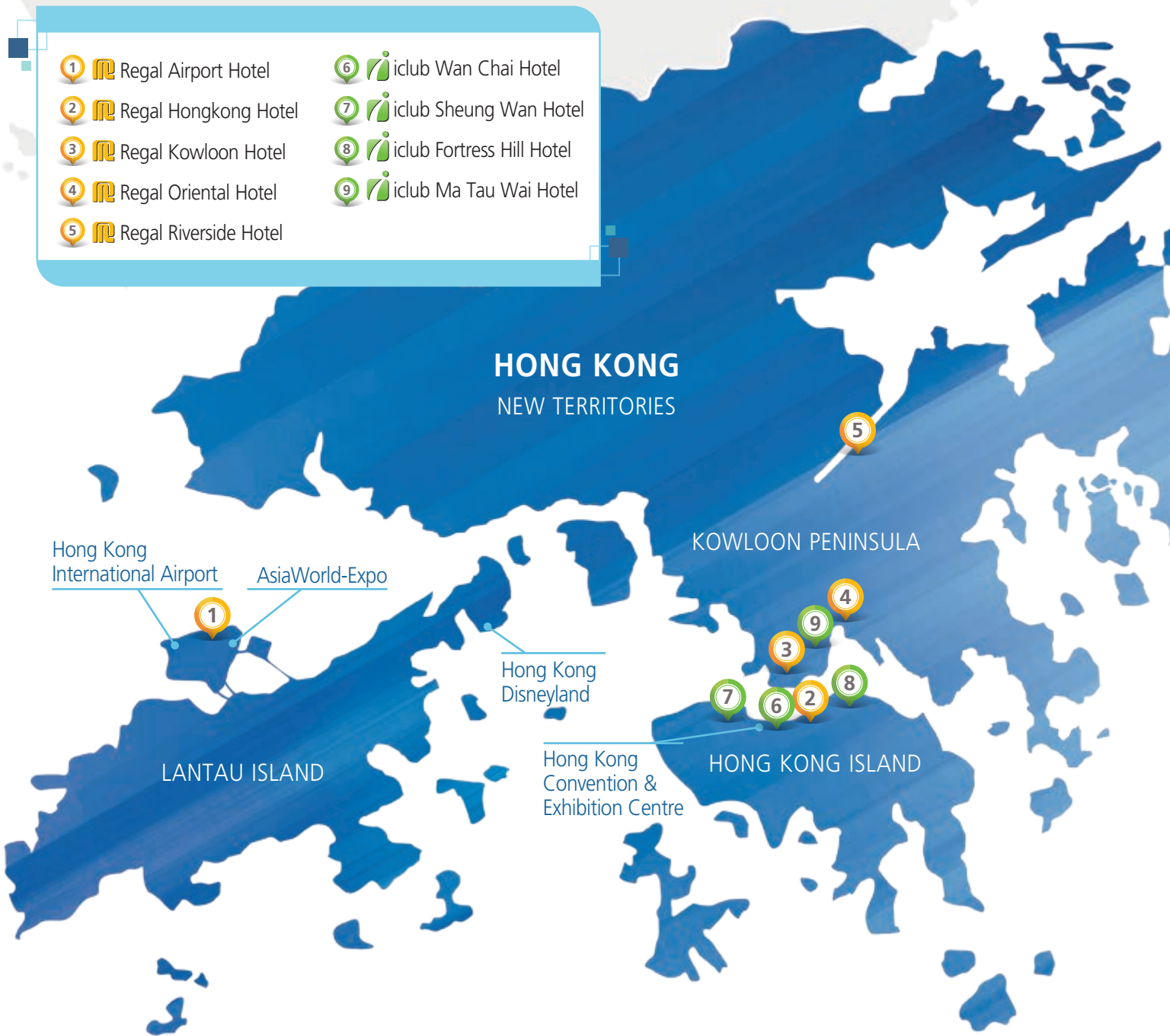
Lo Yuk Sui
Chairman

Regal Portfolio Management Limited
(as the REIT Manager of Regal REIT)

Hong Kong, 31st March, 2022

PROPERTY PORTFOLIO

Location of the Hotel Properties in Hong Kong



Key to Hotel Facility Icons

Room Count	Gross Floor Area (sq.m.)	Ballroom	Swimming Pool
Opening Year	Restaurant	Meeting Room	Spa
Approx. Covered Floor Area (sq.m.)	Bar / Lounge	Business Centre	Club Lounge

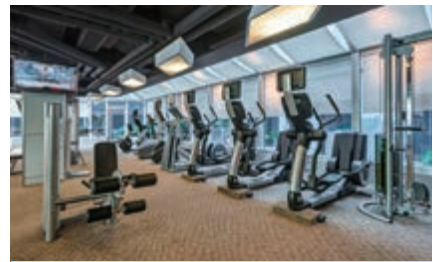
REGAL AIRPORT HOTEL



Executive Club Lounge















Suite



Gym Room

9 Cheong Tat Road,
Hong Kong International Airport,
Chek Lap Kok, Hong Kong.
Tel: (852) 2286 8888
Fax: (852) 2286 8686
Email: info@airport.regalhotel.com
Website: airport.regalhotel.com

	1,171		960 sq.m.
	1999		24
	83,400 sq.m.		1
	71,988 sq.m.		2
	5		1
	1		1

- The only hotel connected directly to the airport passenger terminals
- Close to the Hong Kong-Zhuhai-Macao Bridge
- State-of-the-art meeting and conference venues of approximately 3,300 sq.m. with a built-in giant high-definition LED wall (9m x 4m) and 3D Projection Mapping Technology
- Easy access to AsiaWorld-Expo, Hong Kong Disneyland and the Big Buddha
- Airline "Self Check-in" kiosk
- World's Best Airport Hotel by Business Traveller UK Magazine for twelve consecutive years (2008-2019)
- Travel Hall of Fame Award by TTG Asia Media Pte Ltd for four consecutive years (2015-2018)
- Best Airport Hotel in Asia-Pacific by TTG Asia Media Pte Ltd for ten consecutive years (2005-2014)
- Best Airport Hotel in Asia-Pacific by Business Traveller Asia-Pacific Magazine for seventeen consecutive years (2001-2017)
- Best Airport Hotel Asia Pacific by Travel Weekly Asia for three consecutive years (2017-2019)
- MASTERCHEF Recommendation Restaurant – Rouge (2020-2021)
- Gold Benchmarking Certificate by EarthCheck (2015-2021)
- Trusted Cleanliness Badge by TrustYou (2020-2021)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020)
- Certificate of Excellence by TripAdvisor (2016-2020)
- World's Best Airport Hotel and Best Airport Hotel Asia in the Skytrax Awards for four consecutive years (2011-2014)

REGAL HONGKONG HOTEL



Café Rivoli














Presidential Suite



Regal Ballroom

88 Yee Wo Street,
Causeway Bay, Hong Kong.
Tel: (852) 2890 6633
Fax: (852) 2881 0777
Email: info@hongkong.regalhotel.com
Website: hongkong.regalhotel.com

 481	 239 sq.m.
 1993	 14
 32,000 sq.m.	 1
 25,090 sq.m.	 1
 3	 1
 1	

- Located in the heart of Causeway Bay, one of the popular shopping and commercial districts in Hong Kong
- Within walking distance from Victoria Park, Hong Kong Stadium - home to the annual spectacular Rugby Sevens Tournament and Happy Valley Racecourse where exciting horse races are staged regularly
- Convenient location to the Hong Kong Convention and Exhibition Centre
- Regal Ballroom, The Forum, meeting and conference centre, provide full range of facilities catering to the needs of business travellers, meeting and exhibition delegates
- Executive Club Floor features a collection of 81 tastefully appointed guestrooms and suites with a private lounge
- Gold Benchmarking Certificate by EarthCheck (2018-2022)
- Caring Company 10 Years+ Award by The Hong Kong Council of Social Service (2018-2022)
- MASTERCHEF Recommendation Restaurant – Regal Palace (2020-2021)
- Trusted Cleanliness Badge by TrustYou (2020-2021)
- Travellers' Choice Award by TripAdvisor (2020-2021)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020-2021)
- MASTERCHEF Recommendation Restaurant – Alto 88 (2019)
- Best Business Hotel by Ctrip (2019)
- Certificate of Excellence by TripAdvisor (2019)
- Alto 88 achieved Italian Hospitality Seal by Ospitalità Italiana as certified restaurant (2014-2019)

REGAL KOWLOON HOTEL



Executive Suite













Café Allegro



Versailles Ballroom

71 Mody Road, Tsimshatsui,
Kowloon, Hong Kong.
Tel: (852) 2722 1818
Fax: (852) 2369 6950
Email: info@kowloon.regalhotel.com
Website: kowloon.regalhotel.com

- Conveniently located in Tsim Sha Tsui East, a commercial and tourist district
- Within walking distance from the Tsim Sha Tsui ("TST"), East TST and Hung Hom MTR stations, 10-minute drive to the Hong Kong West Kowloon Station - the terminus of High Speed Rail (Hong Kong Section) with easy access to other cities of Mainland China
- Close to TST's waterfront with promenade, major shopping centres and entertainment areas
- Nearby popular tourist attractions including K11 Musea, Hong Kong Science Museum, Hong Kong Space Museum, Hong Kong Museum of Art, Hong Kong Cultural Centre, Clock Tower and the Star Ferry, etc.
- HACCP Certification (2020 - 2023)
- Trusted Cleanliness Badge by TrustYou (2020-2021)
- Gold Benchmarking Certificate by EarthCheck (2020-2021)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020-2021)
- Travellers' Choice Award by TripAdvisor (2021)
- MASTERCHEF Recommendation Restaurant - Regal Court (2019-2021) & Mezzo (2021)
- Caring Company Award by The Hong Kong Council of Social Service (2018-2021)
- Loved by Guests Award by Hotels.com (2020)
- Certificate of Excellence by TripAdvisor (2016-2017 and 2019)

	600		1
	1982		353 sq.m.
	43,500 sq.m.		12
	31,746 sq.m.		1
	3		1

REGAL ORIENTAL HOTEL



Presidential Suite













The China Coast Pub + Restaurant



Communal Lounge

30-38 Sa Po Road, Kowloon City,
Kowloon, Hong Kong.
Tel: (852) 2718 0333
Fax: (852) 2718 4111
Email: info@oriental.regalhotel.com
Website: oriental.regalhotel.com

 494	 1
 1982	 345 sq.m.
 27,300 sq.m.	 8
 22,601 sq.m.	 1
 5	 1

- The only full-service hotel located in the heart of Hong Kong's heritage district, Kowloon City, neighboring the Kai Tak Development Area including the world-class Kai Tak Cruise Terminal
- Vicinity to historic landmarks such as Wong Tai Sin Temple and Chi Lin Nunnery
- 3-minute walking distance to Sung Wong Toi MTR station of the new Tuen Ma line, with easy inter-change to Mong Kok and other business and shopping districts
- Spacious and quiet rooms set up with 1 King, 2 Queen or up to 4 single beds are offered to cater for different needs. Facilities include private lounge and gymnasium in a compact and cozy environment
- Halal Certificate by The Incorporated Trustees of The Islamic Community Fund of Hong Kong (2013-2021)
- Gold Benchmarking Certificate by EarthCheck (2018-2021)
- Trusted Cleanliness Badge by TrustYou (2021)
- Indoor Air Quality Certificate – Excellent Class by Environmental Protection Department (2014-2019)
- Caring Company 5 Years+ Award by The Hong Kong Council of Social Service (2014-2019)
- Carbon Reduction Certificate by the Environmental Campaign Committee (2016-2019)
- "Good Employer Charter" Certificate by Labour Department (2018-2019)
- 10-year QTS Merchant Recognition for Café Neo and The China Coast Pub + Restaurant by Hong Kong Tourism Board (2019)

REGAL RIVERSIDE HOTEL



Executive Suite















Communal Lounge



The Garden

34-36 Tai Chung Kiu Road, Shatin,
New Territories, Hong Kong.
Tel: (852) 2649 7878
Fax: (852) 2637 4748
Email: info@riverside.regalhotel.com
Website: riverside.regalhotel.com

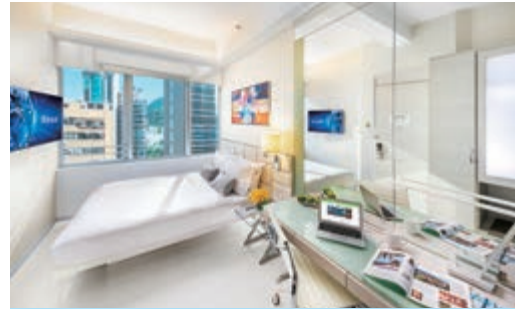
	1,147		474 sq.m.
	1986		12
	69,100 sq.m.		1
	59,668 sq.m.		1
	9		1
	2		1

- The largest hotel in Shatin overlooking the Shing Mun River
- Easy access to Hong Kong Island, Kowloon and the Mainland Border
- Within walking proximity to Shatin New Town Plaza, a mega shopping complex featuring over 400 shops and restaurants
- Close to Sha Tin Racecourse, Hong Kong Science & Technology Parks, The Chinese University of Hong Kong and the Ten Thousand Buddhas Monastery
- Executive Club Lounge provides comprehensive facilities that bring a truly comfortable and convenient stay
- Gold Benchmarking Certificate by EarthCheck (2018-2021)
- MASTERCHEF Recommendation Restaurant – Dragon Inn (2020-2021)
- Trusted Cleanliness Badge by TrustYou (2020-2021)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020-2021)
- MASTERCHEF Recommendation Restaurant – Vi (2021)
- MameAwards – Mame’s Best Choice of Postpartum Hotel (2021)
- Squarefoot Serviced Apartment Awards 2020 – Best Serviced Apartment Provider (2020)
- Certificate of Appreciation by Christian Action’s Signature Employer Program (2018-2020)
- Trip.com Best Selling Hotel Awards (2020)
- Certificate of Appreciation in Hong Kong No Air-Con Night from Green Sense (2012-2020)
- Quality Water Supply Scheme for Buildings - Fresh Water (Management System) (Blue) Certificate by Water Supplies Department (2019-2020)
- Squarefoot Serviced Apartment Awards 2019 - Best Guest Experience (2019)
- Quality Water Supply Scheme For Buildings – Fresh Water (Plus) (Basic Plan) Certificate by Water Supplies Department (2008-2018)

iclub WAN CHAI HOTEL



iSuite Premier



iSelect Premier



iLounge

211 Johnston Road,
Wan Chai, Hong Kong.
Tel: (852) 3963 6000
Fax: (852) 3963 6022
Email: info@wanchai.iclub-hotels.com
Website: wanchai.iclub-hotels.com

- 99 chic and trendy guestrooms and suites with interactive services and innovative facilities
- Convenient location within walking distance to Wan Chai MTR station and Hong Kong Convention and Exhibition Centre
- Flexible configuration allows a room accommodating up to 4 guests, ideal for families and travelling group
- Rooms on high floors featuring fascinating view of exciting city vistas
- Daily complimentary continental breakfast and coffee & tea throughout the day in the multi-functional indoor iLounge
- New kitchen equipment for long stay guests
- New equipped entertainment corner with board games
- 24-hour self-service laundry and drying facilities
- 24-hour complimentary use of computers in iEngage
- 24-hour complimentary use of fitness facilities in Sweat Zone
- A completely smoke-free hotel
- Travellers' Choice Award by TripAdvisor (2020-2021)
- Trusted Cleanliness Badge by TrustYou (2020)
- Customer Review Award by Agoda (2020)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020)
- Silver Benchmarking Certificate by EarthCheck (2020)
- Certificate of Excellence by TripAdvisor (2019)
- Guest Rated Award "Good" by Expedia.com (2018)

	99
	2009
	5,530 sq.m
	5,326 sq.m.
	1
	1

iclub SHEUNG WAN HOTEL



iPlus Premier



iBusiness



iLounge

138 Bonham Strand,
Sheung Wan, Hong Kong.
Tel: (852) 3963 6100
Fax: (852) 3963 6122
Email: info@sheungwan.iclub-hotels.com
Website: sheungwan.iclub-hotels.com

-  248
-  2014
-  9,600 sq.m.
-  7,197 sq.m.
-  1
-  1

- A contemporary select-service hotel with 248 chic and trendy guestrooms and suites
- Convenient location with 3 minutes' walking distance to Sheung Wan MTR station, 7 minutes' walking distance to Hong Kong Macau Ferry Terminal and walking distance to Hollywood Road and Soho area
- Flexible room configuration accommodates up to 6 guests in a room, is ideal for families and travelling group
- Daily complimentary continental breakfast and coffee & tea throughout the day in iLounge
- 24-hour self-service laundry and drying facilities
- 24-hour complimentary use of computers in iEngage
- 24-hour complimentary use of fitness facilities in Sweat Zone
- A completely smoke-free hotel
- Traveller Review Awards by Booking.com (2020-2021)
- Loved by Guests Award by Hotels.com (2020-2021)
- Travellers' Choice Award by TripAdvisor (2020-2021)
- Trusted Cleanliness Badge by TrustYou (2021)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020)
- Silver Benchmarking Certificate by EarthCheck (2020)
- Certificate of Excellence by TripAdvisor (2019)
- Guest Rated Award "Excellent" by Expedia.com (2018)
- Best Serviced Apartment Award by GoHome.com.hk (2017-2018)
- Guest Review Awards by Booking.com (2015-2018)

iclub FORTRESS HILL HOTEL



Superior Plus



Sweat Zone



iLounge

18 Merlin Street,
North Point, Hong Kong.
Tel: (852) 3963 6300
Fax: (852) 3963 6322
Email: info@fortresshill.iclub-hotels.com
Website: fortresshill.iclub-hotels.com



338



2014



9,400 sq.m.



6,849 sq.m.



1



1

- A contemporary select-service hotel with 338 chic and trendy guestrooms
- Convenient location within walking distance to Fortress Hill MTR station
- Easy access to Victoria Park, the biggest park on Hong Kong Island
- New equipped family iSuite with microwave
- New kitchen equipment for long stay guests
- Relaxed outdoor garden with exclusive clubhouse-like experiences
- New equipped entertainment corner with board games
- Connecting room for travelling group
- Rooms on higher floors featuring fascinating harbour view and Hong Kong skyline
- Daily complimentary continental breakfast and coffee & tea throughout the day in iLounge
- 24-hour self-service laundry and drying facilities
- 24-hour complimentary use of computers in iEngage
- 24-hour complimentary use of fitness facilities in Sweat Zone
- A completely smoke-free hotel
- Trusted Cleanliness Badge by TrustYou (2020)
- Travellers' Choice Award by TripAdvisor (2020)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020)
- Silver Benchmarking Certificate by EarthCheck (2020)
- Certificate of Excellence by TripAdvisor (2019)
- Carbon Reduction Certificate by Hong Kong Green Organisation Certification (2018)

iclub MA TAU WAI HOTEL



Superior Room



Superior Harbour View Room



Carpark

8 Ha Heung Road,
Ma Tau Wai, Hong Kong.
Tel: (852) 3963 6600
Fax: (852) 3963 6622
Email: info@matauwai.iclub-hotels.com
Website: matauwai.iclub-hotels.com



340



2017



9,490 sq.m.



6,298 sq.m.



1



1

- A contemporary select-service hotel opened in 2017 with 340 chic and trendy guestrooms
- MTR - Shatin to Central Link which is expected to be completed by 2022
- 2 minutes' walking distance to To Kwa Wan MTR station
- 3 minutes' walking distance to airport bus station
- Flexible room configuration accommodates up to 6 guests in a room, is ideal for families and travelling group
- Rooms on high floors feature fascinating harbour view and Hong Kong skyline
- Daily complimentary continental breakfast in iLounge
- 24-hour self-service laundry and drying facilities
- 24-hour complimentary use of computers in iEngage
- 24-hour complimentary use of fitness facilities in Sweat Zone
- A completely smoke-free hotel
- Travellers' Choice Award by TripAdvisor (2020-2021)
- Anti-epidemic Hygiene Measures Certification by Hong Kong Quality Assurance Agency (2020)
- Trusted Cleanliness Badge by TrustYou (2020)
- Silver Benchmarking Certificate by EarthCheck (2020)
- City Hotel of the Year 2018 by GHM (Guangdong, Hong Kong, Macao) Hotel General Managers Society (2018)
- Indoor Air Quality Certificate – Good Class by Environmental Protection Department (2017-2018)

The Directors of the REIT Manager herein present their report together with the audited consolidated financial statements of Regal Real Estate Investment Trust (“Regal REIT”) and its subsidiaries (collectively, the “Group”) for the year ended 31st December, 2021.

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 investment 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 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.

ORGANISATION AND STRUCTURE OF REGAL REIT

Regal REIT was constituted by a trust deed dated 11th December, 2006 (as amended and restated by a first amending and restating deed dated 23rd March, 2021) (the “Trust Deed”) entered into between the REIT Manager and the Trustee of Regal REIT. Regal REIT is a collective investment scheme established in the form of a unit trust under Hong Kong laws and its units (the “Units”) have been listed on the main board of The Stock Exchange of Hong Kong Limited (the “HK Stock Exchange”) since 30th March, 2007 (the “Listing Date”).

Regal REIT is regulated by the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), the Code on Real Estate Investment Trusts (the “REIT Code”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), as if they were applicable to Regal REIT.

As at 31st December, 2021, the property portfolio of Regal REIT was 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”).

The REIT Manager and the Trustee

The REIT Manager is licensed by the Securities and Futures Commission in Hong Kong (the “SFC”) to undertake the regulated activity 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 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 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 expiring 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 Lessee entered into supplemental agreements amending each of the Initial Hotels Lease Agreements to extend the lease term of (a) Regal Airport Hotel to 27th December, 2028; and (b) each of Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel 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.

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. On 29th December, 2021, Regal REIT had exercised its options to extend the lease term of the iclub Ma Tau Wai Hotel for a further term, commencing from 4th September, 2022 and expiring on 31st December, 2027 (both days inclusive). 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
		<hr/>	
		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
		<hr/>	
		1,025	
Total		<hr/> 4,918 <hr/>	

RENTAL AND REVENUE STRUCTURE

Initial Hotels – Rental Revenue Derived from Hotel Operations

Rental revenues, represented by base rent and variable rent in respect of the Initial Hotels, are derived from hotel operations, that is, from the hotel businesses leased to the RHIHL Group and managed by the Hotel Manager.

Specifically, total hotel revenue consists of the following:

- Room revenue, which is primarily driven by hotel room occupancy rates and achieved average room rates;
- Food and beverage revenue (“F&B Revenue”), which is primarily driven by banquet business, local patron and hotel room guests’ usage of bars and restaurants; and
- Other income, which consists of ancillary hotel revenue and other items, which is mainly driven by hotel room occupancy rates which, in turn, affect telephone, internet and business centre usage, spa and health centres, parking and dry cleaning/laundry services.

Hotel operating costs and expenses consist of direct costs and expenses attributable to the respective operating departments, e.g. rooms department, food and beverage department, etc. as well as costs and expenses attributable to overhead departments such as the administration department, the sales and marketing department and the repairs and maintenance department.

Most categories of variable expenses, such as certain labour costs in housekeeping and utility costs, fluctuate with changes in the levels of room occupancies. The cost of goods sold in the hotel business, such as food products and beverages, fluctuate with guest frequency of dining in restaurants, bars and banquets.

The following performance indicators are commonly adopted in the hotel industry:

- Room occupancy rates;
- Average room rates; and
- RevPAR, room revenue divided by rooms available, or a product of the occupancy rates and the average room rates (RevPAR does not include F&B Revenue or other income, i.e. only room revenue).

Initial Hotels – Rental Structure and Market Rental Packages

Pursuant to the extended lease terms of 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

According to the IH Market Rental Package for 2021, the aggregate Base Rent for the Initial Hotels was determined at HK\$460.0 million, to be payable by cash by the RHIHL Lessee on a monthly basis. Regal REIT would be entitled to receive Variable Rent based on 50% sharing of any excess of the aggregate net property income (“NPI”) over the aggregate Base Rent. 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 deposit for an aggregate amount of HK\$115.0 million, which is equivalent to three months’ Base Rent.

IH Market Rental Package for 2022

An independent professional property valuer, Ms. Stella Ho, was jointly appointed by the lessors and the RHIHL Lessee in June 2021 to conduct rent reviews for the Initial Hotels for 2022. According to the determination of the IH Market Rental Package for 2022, the aggregate amount payable by the RHIHL Lessee as Base Rent was determined to be HK\$475.0 million, with Variable Rent continuing to be based on sharing 50% of the excess of the aggregate NPI from the operations of the Initial Hotels over the aggregate Base Rent thereof in 2022. 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, effective on 1st January, 2022, for an aggregate amount of HK\$118.75 million, which is equivalent to three months' aggregate Base Rent of the Initial Hotels for 2022, issued by a licensed bank in Hong Kong. Details of the IH Market Rental Package for 2022 can be referred to in an announcement published by the REIT Manager on 26th November, 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. 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 for generating 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

According to the determination of SW Market Rental Package for 2021, the Base Rent payable by the RHIHL Lessee was HK\$26.0 million, with Variable Rent to be based on 50% of the excess of the NPI over the 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.

SW Market Rental Package for 2022

The same independent professional property valuer, Ms. Stella Ho, was jointly appointed in June 2021 to determine the SW Market Rental Package for 2022. According to the determination of the SW Market Rental Package for 2022, the Base Rent to be payable by the RHIHL Lessee is HK\$27.0 million, with Variable Rent to be based on 50% of the excess of the NPI over the 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 is required to provide a third party guarantee as a security deposit, effective on 1st January, 2022, for an amount of HK\$6.9 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Sheung Wan Hotel for 2022. Details of the SW Market Rental Package for 2022 can be referred to in an announcement published by the REIT Manager on 26th November, 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

According to the determination of FH Market Rental Package for 2021, the Base Rent payable by the RHIHL Lessee was HK\$26.0 million, with Variable Rent to be based on 50% of the excess of the NPI over the Base Rent and 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.

FH Market Rental Package for 2022

Concurrent with the appointment as independent professional property valuer for the SW Market Rental Package 2022, Ms. Stella Ho was also appointed in June 2021 to determine the FH Market Rental Package for 2022. According to the determination of the FH Market Rental Package for 2022, the Base Rent to be payable by the RHIHL Lessee is HK\$27.0 million, with Variable Rent to be based on 50% of the excess of the NPI over the 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 is required to provide a third party guarantee as a security deposit, effective on 1st January, 2022, for an amount of HK\$7.1 million, which is equivalent to three months' Base Rent together with rates and Government rent of the iclub Fortress Hill Hotel for 2022. Details of the FH Market Rental Package for 2022 can be referred to in an announcement published by the REIT Manager on 26th November, 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 "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 from 4th September, 2017 to 3rd September, 2022. 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. During the year, Regal REIT received rentals for HK\$65.7 million and earned pro-rated fixed rental income of HK\$61.2 million recognised on the straight-line basis.

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 lessee's contribution to the FF&E reserve) together with the amount of the security deposit 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 a reserve to fund expenditures for replacements of FF&E in the respective hotels during the year. Pursuant to the MTW Lease Agreement, the 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 Initial Lease Term.

During the year, 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\$15.3 million was contributed to the FF&E reserve with corresponding expenditures of HK\$10.3 million being recorded for the purposes intended.

Capital Addition Projects

As an ongoing initiative, Regal REIT invests in capital addition projects for continuous upgrade on the quality and standards of the rooms and facilities for its hotel properties. Regal REIT undertakes, in addition to the FF&E reserve, the funding of capital addition projects with the objective of improving portfolio competitiveness and product offerings to enhance income generating capabilities, profitability of the hotel property portfolio and enable special utilisations. Other enhancement projects may also be conducted to comply with updated licensing requirements or to conform to legislation enactments and standards from time to time.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2021 are set out in the consolidated financial statements.

Review of the Economic Environment in 2021

According to the Global Economic Prospects report issued by the World Bank Group in January 2022, the global recovery is set to decelerate markedly amid continued COVID-19 flare-ups, diminished policy support, and lingering supply bottlenecks. In contrast to that in advanced economies, output in emerging market and developing economies (EMDEs) will remain substantially below the pre-pandemic trend over the forecast horizon.¹

Growth in advanced economies is forecast to decelerate from 5% in 2021 to 3.8% in 2022 as the unwinding of pent-up demand only partly cushions a pronounced withdrawal of fiscal policy support. In contrast to advanced economies, most EMDEs are expected to suffer substantial scarring to output from the pandemic, with growth trajectories not strong enough to return investment or output to pre-pandemic trends over the forecast horizon of 2022-23. EMDE growth is projected to slow from 6.3% in 2021 to 4.6% in 2022, as the ongoing withdrawal of macroeconomic support, together with COVID-19 flare-ups amid the spread of the Omicron variant and continued vaccination obstacles, weigh on the recovery of domestic demand¹.

GDP growth in China reached 8.1%² in 2021 and the growth in China has decelerated more markedly than previously envisioned. Recurring mobility restrictions related to the pandemic and regulatory curbs on the property and financial sectors have restrained consumer spending and residential investment. In contrast, and despite supply disruptions and electricity shortages, manufacturing activity has been generally solid and export growth has accelerated.¹

For 2021 as a whole, Hong Kong's GDP growth was 6.4%³ in real terms over 2020, reversing the declines in the previous two years. As per a research report from the Bank of China (Hong Kong) Limited, in 2021, Hong Kong's exports have performed well, benefiting from the reliance of major global economies on China's merchandise goods. External demand has maintained a relatively large contribution to economic growth in Hong Kong. Factors such as the contained local pandemic, the release of consumer vouchers and the low base of 2020 economic growth have supported stronger consumption and boosted the performance of domestic demand⁴ in 2021. According to the labour force statistics by the Census and Statistics Department, the seasonally adjusted unemployment rate decreased from 4.1% in September - November 2021 to 3.9% in October - December 2021. Analyzed by sector, due to the improvement of consumption sentiment in the fourth quarter of 2021, the unemployment rate of the consumption- and tourism-related sectors combined fell by 0.9 percentage point to 5.4%. Among these sectors, the unemployment rates of the food and beverage service activities sector and the retail sector decreased by 1.0 percentage point and 0.9 percentage point to 5.9% and 5.2% respectively⁵.

1 Source: Publications, World Bank Group, "Global Economic Prospects", January 2022.

2 Source: Press Release, National Bureau of Statistics of China, "National Economy Continued to Recover with Expected Development Targets Well Achieved in 2021", 17th January, 2022.

3 Source: Budget Speech, The 2022-23 Budget "Economic Situation in 2021", 23 February 2022.

4 Source: Market Information, Bank of China (Hong Kong) Limited, "Assessment of the Strengths and Prospects of Hong Kong's Economic Growth", November 2021.

5 Source: Press Release, Census and Statistics Department, "Unemployment and underemployment statistics for October - December 2021", 18th January, 2022.

Visitor Arrivals in Hong Kong, 2021 versus 2020⁶

Visitors to Hong Kong by Geographical Regions	2021 (Percentage of total visitors)	2021 (No. of visitors)	2020 (No. of visitors)	Variance (No. of visitors)	Variance (%)
Mainland China	71.91%	65,721	2,706,398	(2,640,677)	(97.6%)
South & Southeast Asia	10.42%	9,524	190,530	(181,006)	(95.0%)
North Asia	1.06%	972	90,242	(89,270)	(98.9%)
Taiwan	2.79%	2,547	105,140	(102,593)	(97.6%)
Europe, Africa & the Middle East	8.02%	7,332	178,297	(170,965)	(95.9%)
The Americas	2.81%	2,570	123,025	(120,455)	(97.9%)
Australia, New Zealand & South Pacific	0.89%	810	57,541	(56,731)	(98.6%)
Macau SAR/Not identified	2.10%	1,922	117,702	(115,780)	(98.4%)
Totals	100%	91,398	3,568,875	(3,477,477)	(97.4%)
Overnight visitors included in above	97.6%	89,190	1,359,365	(1,270,175)	(93.4%)

For the year of 2021, Hong Kong's tourism market continued to be impacted by the COVID-19 pandemic. The number of visitor arrivals dropped significantly by approximately 3.5 million to 91,398, showing a decrease of 97.4% year-on-year.

Mainland China visitors decreased and recorded a negative growth rate of 97.6%, with arrivals aggregating 65,721, representing 71.9% of the total visitor arrivals to Hong Kong in 2021.

Arrivals from short haul markets comprising other Asian regions (including North Asia, South & Southeast Asia, Taiwan and Macau) were reported as 14,965 and accounted for 16.4% of total arrivals, representing a negative growth rate of 97.0% as compared to 2020.

For the long haul markets, a negative growth rate of 97.0% was recorded, with total arrivals of 10,712. Visitors from the Americas displayed a decrease with a negative growth rate of 97.9% and represented 2.8% of the total number of visitors. Overall, visitor arrivals from the European, Africa and the Middle East markets also recorded a negative growth rate of 95.9%; with visitor number of 7,332 only and accounting for 8.0% of total arrivals.

Similar to other international gateway cities, in-bound visitor numbers drive the core lodging demand for the local hotel industry in pre-COVID years. However, it did not bear any significant relevance for the year under review due to travel restrictions and quarantine measures.

⁶ Source: Research, Hong Kong Tourism Board, "Visitor Arrival Statistics – Dec 2021", January 2022; "Visitor Arrival Statistics – Dec 2020", January 2021; the REIT Manager.

Review of Hotel Room Supply in Hong Kong in 2021 and Forecast for 2022

In 2021, the hotel room supply in Hong Kong reported growth of 2.2% over 2020. This represented an annual increase of 1,914 units from 86,700 to 88,614 rooms. During the year under review, the number of hotel properties increased from 311 to 319. A continuing increase in the new room supply by 332 units in 2022 with 3 new hotels is anticipated. By the end of 2022, it is projected that the hotel room supply will reach 88,946 with an increase of about 0.4% over the preceding year.⁷

Industry Performance

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

Category	Hong Kong Hotel Market Performance (2021 versus 2020) ⁸					
	Room Occupancy Rates		Average Room Rates		RevPAR	
	2021	2020	2021	2020	2021	2020
	%	%	HK\$	HK\$	HK\$	HK\$
High Tariff A	45	24	1,455	1,617	655	388
High Tariff B	65	45	641	608	417	274
Medium Tariff	73	62	483	436	353	270
All Hotels	63	46	860	887	542	408

In 2021, the overall hotel occupancy rate recorded as 63.0% and was up by 17.0 percentage points when compared to 2020. The industry-wide average room rate recorded a drop of 3.0% year-on-year to HK\$860 per night. The resulting effect led to a growth of 32.8% on the industry-wide RevPAR or an increase of HK\$134 year-on-year to HK\$542.

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

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, strategically located in different districts 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 business operated by the RHIHL Lessee and the self-operated iclub Wan Chai Hotel, all under the management of the Hotel Manager.

For the year under review, Hong Kong hotel industry continued facing the lack of international travellers owing to travel bans and quarantine enforcements being applied to travellers as a precautionary measure against import cases of the COVID-19 pandemic.

⁷ Source: Research, Hong Kong Tourism Board, "Hotel Supply Situation – as at Dec 2021", March 2022; the REIT Manager.

⁸ Source: Research, Hong Kong Tourism Board, "Hotel Room Occupancy Report – Dec 2021", January 2022; the REIT Manager.

Despite the unfavorable conditions in the hotel market, the rental revenue generated from the hotel portfolio has been stabilised by the 2021 market rental packages in relation to the Initial Hotels, the iclub Sheung Wan Hotel and the iclub Fortress Hotel, which have been determined in November 2020. Nevertheless, the market rental determinations reflected a conservative view on the performance of the relevant hotels operating under the heavy influence of the pandemic situation. As at 31st December, 2021, the aggregate property valuation of Regal REIT's property portfolio was valued at HK\$22,724.0 million, representing a mild increase of HK\$352.0 million or 1.6% as compared to the valuation of HK\$22,372.0 million as at 31st December, 2020. The updated valuations, to a certain extent, reflected that the relevant hotel portfolio were striving through the acute environment with positive outlook in the long term.

For 2021, the guest mix of the Regal REIT's hotel portfolio continued reflecting the shift of focus from business and leisure travellers arriving from overseas to local customers with new market segments such as long stay demand and domestic staycation. To fulfil our corporate social responsibility in supporting the Hong Kong Government's initiatives to combat the pandemic, four of our hotels, namely, the Regal Airport Hotel, the Regal Oriental Hotel, the iclub Ma Tau Wai Hotel and the iclub Fortress Hill Hotel have enrolled in different cycles of the DQHS in 2021. Therefore, the operating statistics of the hotels owned by Regal REIT for 2021 highlighted below should bear reference to the changes in the operating mode of some of these hotels.

Performance of the Initial Hotels

Total hotel revenue, gross operating profit ("GOP"), NPI and statistics for the combined Initial Hotels for FY2021 versus FY2020 are set out below.

	FY2021	FY2020	Variance	Variance
	HK\$'million	HK\$'million	HK\$'million	%
Operating Results				
Room revenue	411.9	308.0	103.9	33.7%
Food and beverage revenue	266.6	177.6	89.0	50.1%
Other income	24.9	74.2	(49.3)	(66.4%)
Total hotel revenue	703.4	559.8	143.6	25.7%
Operating expenses	(604.4)	(534.1)	(70.3)	(13.2%)
Gross operating profit	99.0	25.7	73.3	285.2%
Other expenses	(40.3)	(47.3)	7.0	(14.8%)
Net rental income	45.8	50.8	(5.0)	(9.8%)
Net property income	104.5	29.2	75.3	257.9%
Statistics				
Average room rate	HK\$505.45	HK\$580.33	(HK\$74.88)	(12.9%)
Occupancy rate	57.3%	37.2%	20.1%	54.0%
RevPAR	HK\$289.61	HK\$215.96	HK\$73.65	34.1%
Total available room nights	1,420,945	1,422,957	(2,012)	(0.1%)
Occupied room nights	814,148	529,531	284,617	53.7%

During the year, the Initial Hotels have been operating under two different business modes, as indicated above. Three of them, namely, the Regal Hongkong Hotel, the Regal Kowloon Hotel and the Regal Riverside Hotel, were operating normal hotel businesses catering to the local market while the other two were operating as quarantine hotels under the DQHS. As a result, during the year under review, total hotel revenue of the Initial Hotels amounted to HK\$703.4 million (2020: HK\$559.8 million), representing an increase of HK\$143.6 million or 25.7% year-on-year. GOP and NPI were HK\$99.0 million and HK\$104.5 million, respectively, reflecting significant increases over the low bases for the previous year.

The combined average occupancy rate for the Initial Hotels in 2021 was 57.3%, as compared to 37.2% in the prior year. Although their combined average room rate decreased by 12.9%, the average RevPAR has on the whole improved by 34.1% 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 year under review, Regal REIT earned and received aggregate Base Rent of HK\$460.0 million, representing a monthly Base Rent of HK\$38.33 million.

Variable Rent

Regal REIT would be entitled to receive Variable Rent through the sharing of the excess aggregate NPI from the Initial Hotels' operations over the annual Base Rent. For the year under review, the aggregate NPI from hotel operations of the Initial Hotels only amounted to HK\$104.5 million. As this fell short of the aggregate Base Rent of HK\$460.0 million, therefore, no Variable Rent was receivable for the year.

Performance of iclub Wan Chai Hotel

The hotel portion of the iclub Wan Chai Hotel recorded an average room rate of HK\$420.75 in 2021, compared to HK\$408.07 in 2020. With the year-round occupancy rate of 82.0% in 2021 (2020: 73.9%), the RevPAR achieved for 2021 was HK\$345.08 as compared to HK\$301.74 for the previous year. Meanwhile, the non-hotel portions of the iclub Wan Chai Hotel, comprising the portion of the ground floor and other areas on the 27th to 29th floors of the premises, continued to being leased to tenants throughout the year.

Hotel portion

For the year ended 31st December, 2021, the hotel portion contributed gross hotel revenue of HK\$12.5 million and incurred operating costs and expenses of HK\$11.4 million.

Non-hotel portions

For the year ended 31st December, 2021, rental income of HK\$5.7 million was generated from the leasing of the non-hotel portions.

Performance of iclub Sheung Wan Hotel

For 2021, the iclub Sheung Wan Hotel achieved an overall occupancy rate of 81.2% (2020: 73.8%) with a year-round average room rate of HK\$402.70 (2020: HK\$391.62).

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. During the year, Regal REIT earned and received HK\$26.0 million.

Variable Rent

Regal REIT would be entitled to receive Variable Rent through the sharing of the excess NPI from the iclub Sheung Wan Hotel's operations over the Base Rent. For the year under review, as the NPI from hotel operations of the iclub Sheung Wan Hotel was HK\$9.2 million which fell short of the Base Rent of HK\$26.0 million, no Variable Rent was receivable.

Performance of iclub Fortress Hill Hotel

For 2021, the iclub Fortress Hill Hotel achieved an overall occupancy rate of 75.2% (2020: 70.8%) with a year-round average room rate of HK\$334.36 (2020: HK\$303.37).

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. During the year, Regal REIT earned and received HK\$26.0 million.

Variable Rent

Regal REIT would be entitled to receive Variable Rent through the sharing of the excess NPI from the iclub Fortress Hill Hotel's operations over the Base Rent. For the year under review, as the NPI from hotel operations of the iclub Fortress Hill Hotel was HK\$5.2 million, no Variable Rent was receivable.

Performance of iclub Ma Tau Wai Hotel

For 2021, the iclub Ma Tau Wai Hotel achieved an overall occupancy rate of 70.5% (2020: 66.1%) with a year-round average room rate of approximately HK\$615.80 under the quarantine hotel scheme (2020: HK\$288.74).

During the year under review, Regal REIT received rentals of HK\$65.7 million as pre-determined in accordance with the terms of the MTW Lease Agreement that took effect from the completion date of acquisition on 4th September, 2017. Fixed rental income of HK\$61.2 million was recognised on the straight-line basis for the year ended 31st December, 2021.

Net Rental and Hotel Income

The aggregate net rental and hotel income for Regal REIT for the year ended 31st December, 2021 (as compared to the prior year) is set out below.

	2021		2020	
	HK\$'million	%	HK\$'million	%
Initial Hotels				
Base Rent	460.0	77.5	710.0	81.5
Variable Rent	—	—	—	—
Other income	2.1	0.3	2.1	0.2
iclub Sheung Wan Hotel				
Rental income	26.0	4.4	41.0	4.7
iclub Fortress Hill Hotel				
Rental income	26.0	4.4	41.0	4.7
iclub Ma Tau Wai Hotel				
Rental income	61.2	10.3	61.3	7.0
iclub Wan Chai Hotel				
Gross hotel revenue	12.5	2.1	11.0	1.3
Rental income	5.7	1.0	5.0	0.6
Gross rental and hotel income	593.5	100.0	871.4	100.0
Property operating expenses	(3.2)	(0.5)	(3.5)	(0.4)
Hotel operating expenses	(11.4)	(1.9)	(9.8)	(1.1)
Net rental and hotel income	578.9	97.6	858.1	98.5

During the year under review, net rental and hotel income represented 97.6% of the gross rental and hotel income after the deduction of property and hotel operating expenses. The management services of the hotel properties are provided 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.

Valuation of the Property Portfolio

As at 31st December, 2021, Regal REIT's overall property portfolio was valued at HK\$22,724.0 million (31st December, 2020: HK\$22,372.0 million). The property portfolio is comprised of (i) the five Initial Hotels, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel, the iclub Ma Tau Wai Hotel and the non-hotel portions of iclub Wan Chai Hotel that are classified as investment properties for an aggregate amount of HK\$22,149.0 million; and (ii) the owner-operated hotel portion of iclub Wan Chai Hotel which is classified as property, plant and equipment for an amount of HK\$575.0 million.

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

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

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

Colliers, an independent professional property valuer, assessed the market values of the property portfolio subject to the lease agreements, hotel operations and the hotel management agreements in accordance with "The HKIS Valuation Standards (2020 Edition)", the Listing Rules and the REIT Code. Colliers 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 market approach was also used as a check on the valuation derived from the DCF method.

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 financial covenants of the relevant loan facility agreements.

Loan Financing

As at 31st December, 2021, Regal REIT's loan facilities aggregating HK\$10,520.0 million, with varying maturity terms, were comprised of: (a) term and revolving loan facilities of up to HK\$5,000.0 million secured by four of the five Initial Hotels; (b) a term loan facility of HK\$3,000.0 million secured by Regal Kowloon Hotel; (c) a term loan facility of HK\$405.0 million secured by the iclub Wan Chai Hotel; (d) term and revolving loan facilities of up to HK\$790.0 million secured by the iclub Sheung Wan Hotel; (e) term and revolving loan facilities of up to HK\$704.0 million secured by the iclub Fortress Hill Hotel; and (f) a term loan facility of HK\$621.0 million secured by the iclub Ma Tau Wai Hotel.

Financing for the Initial Hotels

The facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$1,000.0 million (the "2016 IH Facilities"), contracted on 12th September, 2016 through Regal REIT's wholly-owned subsidiaries, were secured by four of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. On 10th August, 2021, a new 5-year financing facility comprised of a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$500.0 million and secured by the same four Initial Hotels (the "2021 IH Facilities") was concluded. The new term loan facility was applied to repay the previous term loan facility in the same principal amount that matured in September 2021. The new revolving loan facility is reserved for general corporate funding purposes. The 2021 IH Facilities carry interest based on Hong Kong Interbank Offered Rate (HIBOR). As at 31st December, 2021, the 2021 IH Facilities had outstanding amount of HK\$4,590.0 million, representing the full amount of the term loan facility and an amount of HK\$90.0 million under the revolving loan facility.

On 8th March, 2018, Regal REIT, through a wholly-owned subsidiary, arranged a bilateral term loan facility of HK\$3,000.0 million (the "2018 RKH Facility"), secured by a mortgage over the Regal Kowloon Hotel. This facility bears HIBOR-based interest and has a term of five years to March 2023. As at 31st December, 2021, the outstanding amount of the 2018 RKH Facility was HK\$3,000.0 million, representing the full amount of the term loan facility.

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 HIBOR-based interest throughout its term and its principal amount was revised to HK\$405.0 million on 22nd June, 2020 for purpose of compliance with an undertaking in the facility agreement. As at 31st December, 2021, the outstanding facility amount of the 2019 WC Facility was HK\$405.0 million.

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 bear HIBOR-based interest with five years term to October 2023. As at 31st December, 2021, the utilised amount of the 2018 SW Facilities was HK\$790.0 million, representing the full amount of the term loan facility and a revolving loan amount of HK\$158.0 million.

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 HIBOR-based interest and have a term of five years to November 2023. As at 31st December, 2021, the outstanding amount of the 2018 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

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

Managing Fluctuations in Interest Rates

The interest cost components in respect of all the loan facilities of Regal REIT are presently subject to floating HIBOR-based interest margins. During the year under review, the HIBOR rates remained at relatively low levels with the 1-month HIBOR rate fluctuating within a narrow range of around 0.211% per annum at the high end to around 0.062% per annum at the low end and it was at 0.159% per annum as of 31st December, 2021⁹. While the US Federal Reserve commenced the long-anticipated interest rate hike in March 2022, its impacts on the Hong Kong interest rates have yet to be reflected due to the abundance of liquidity in the Hong Kong monetary system and presence of other market attributes. Nevertheless, the REIT Manager will continue to monitor the interest rate trends and to assess options and means to contain or hedge the exposure of the floating interest rate against rate hikes.

Gearing and Cash

As at 31st December, 2021, the gearing ratio of Regal REIT was 43.9% (2020: 44.3%), being the gross amount of the outstanding loans aggregating HK\$10,066.0 million, which takes into account: (a) the 2021 IH Facilities of HK\$4,590.0 million; (b) the 2018 RKH Facility of HK\$3,000.0 million; (c) the 2019 WC Facility of HK\$405.0 million; (d) the 2018 SW Facilities of HK\$790.0 million; (e) the 2018 FH Facilities of HK\$660.0 million; and (f) the 2020 MTW Facility of HK\$621.0 million, as compared to the total gross assets of Regal REIT of HK\$22,912.5 million. The gearing ratio is below the maximum 50% permitted under the REIT Code.

Regal REIT had a total of HK\$54.2 million in unrestricted and HK\$99.2 million in restricted cash balances and bank deposits, and unutilised revolving loan facilities of HK\$454.0 million as at 31st December, 2021. Regal REIT maintains adequate cash reserves and revolving loan facilities and receives timely payments of rental income to satisfy its financial commitments as well as working capital requirements on an on-going basis.

As at 31st December, 2021, all nine Regal REIT properties with an aggregate carrying value of HK\$22,724.0 million were pledged to secure bank loan facilities granted to Regal REIT.

⁹ Source: Hong Kong Dollar HIBOR Fixings 1-Month: Bloomberg 2021.01.01 to 2021.12.31.

DISTRIBUTABLE INCOME AND DISTRIBUTION POLICY

Total Distributable Income (as defined in the Trust Deed) is “the amount calculated by the REIT Manager (based on the audited financial statements of Regal REIT for that Financial Year) as representing the consolidated audited net profit after tax of Regal REIT and the Special Purpose Vehicles (as defined in the offering circular dated 19th March, 2007 issued in connection with the listing of Units) for that Financial Year, as adjusted for the Adjustments”. Adjustments are made to the distributable income to eliminate the effects of certain non-cash items and cash items which have been recorded in Regal REIT’s consolidated income statement, including “difference in accounting rental income and contractual cash rental income”, “fair value changes on investment properties”, “amounts set aside for the FF&E reserve”, “amortisation of debt establishment costs”, “depreciation” and “deferred tax charges”.

Pursuant to the Trust Deed, Regal REIT is required to ensure that the total amount distributed to Unitholders shall not be less than 90% of Regal REIT’s Total Distributable Income for each financial year and the current policy of the REIT Manager is to comply with such requirement.

Distributions for 2021

The Board of Directors of the REIT Manager has resolved to declare a final distribution of HK\$0.041 per Unit for the period from 1st July, 2021 to 31st December, 2021. Together with the interim distribution of HK\$0.045 per Unit for the period from 1st January, 2021 to 30th June, 2021, total distributions per Unit for 2021 will amount to HK\$0.086, representing a yield of 6.01% based on the Unit closing price of HK\$1.43 on the last trading day of 2021. The final distribution of HK\$0.041 per Unit will be payable to Unitholders on the Register of Unitholders on 18th May, 2022.

Total Distributable Income for the year ended 31st December, 2021 was HK\$310.8 million. Total distributions for the year, including the interim distribution of HK\$146.6 million and the final distribution of HK\$133.5 million, will amount to HK\$280.1 million or 90.1% of the Total Distributable Income for the year.

Closure of Register of Unitholders

The Register of Unitholders will be closed from Friday, 13th May, 2022 to Wednesday, 18th May, 2022, both days inclusive, during which period no transfers of Units will be effected. In order to qualify for the distribution, all Unit certificates with completed transfer forms must be lodged with Regal REIT’s Unit registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Thursday, 12th May, 2022. The relevant distribution warrants are expected to be despatched on or about 26th May, 2022.

OUTLOOK FOR 2022

The International Monetary Fund (IMF) has projected the global economy to moderate from 5.9% in 2021 to 4.4% in 2022—half a percentage point lower for 2022 than its October 2021 World Economic Outlook forecast, largely reflecting forecast markdowns in the two largest economies. A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply shortages produced a downward 1.2 percentage points revision for the United States. In China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8 percentage point downgrade. Global growth is expected to slow to 3.8% in 2023. Although this is 0.2 percentage point higher than in the previous forecast, the upgrade largely reflects a mechanical pickup after current drags on growth dissipate in the second half of 2022. The forecast is conditional on adverse health outcomes declining to low levels in most countries by end-2022, assuming vaccination rates improve worldwide and therapies become more effective.¹⁰

For 2021 as a whole, the Hong Kong economy growth by 6.4%³. This was 12.5 percentage points higher than the -6.1% growth in 2020, indicating the economy is in a recovery momentum. From a global perspective, the impact of the coronavirus will continue, vaccination rates will increase and there will be breakthroughs in drug development. The impact of the repeated pandemic outbreaks on the global economic recovery remains to be seen, and the normalization of loose monetary policy will not significantly change the low interest rate and abundant liquidity environment, bringing support to the global and Hong Kong economies⁴.

With the hit from both the Omicron and Delta variants to kick-start the fifth wave of the epidemic in early January this year, the Hong Kong Government has tightened social distancing measures to the most stringent level as seen in the third and fourth waves of the epidemic and further scale up the measures in February. Several business segments have to close down completely or to shorten business operating hours. Obviously, the fifth wave of the epidemic is going to have a big impact to the GDP of the first quarter of 2022. Consequently, this will most likely delay the plan of gradual re-open of the Mainland border and unavoidably slow down the recovery pace of the local tourist market.

It is hoped that the current fifth wave of the epidemic in Hong Kong will soon be under control and businesses could resume operation to a certain extent together with the supporting policies from the government to boost the economy. Anyway, the 2022 business outlook for Hong Kong may still be very challenging. As per the 2022-2023 Budget, Hong Kong's economic growth is expected to reach between 2% to 3.5%¹¹ in 2022 which indicates that the economy will maintain a moderate growth.

¹⁰ Source: Publications, International Monetary Fund, "World Economic Outlook UPDATE – Rising Caseloads, a Disrupted Recovery, and Higher Inflation", 25th January, 2022.

¹¹ Source: Budget Speech, The 2022-23 Budget, "Economic Outlook for 2022 and Medium-term Outlook", 23rd February, 2022.

GROWTH STRATEGY

The REIT Manager's primary strategy is to maintain and grow a strong and balanced investment portfolio of hotels and hospitality-related properties. The REIT Manager intends to achieve its objective of long-term growth in distributions and in the net asset value per Unit through a combination of two core strategies as follows:

- Internal Growth Strategy: The core growth strategy for the hotel portfolio is to maximise value for Unitholders through pro-active asset management achieving higher total revenue, RevPAR and NPI performance; and
- External Growth Strategy: The core strategy for growing the portfolio of hotels is to selectively acquire additional hotel and other properties that meet the REIT Manager's investment criteria.

In evaluating potential acquisition opportunities, the REIT Manager will focus on the following criteria:

- The expected yield enhances returns to Unitholders;
- Target the first tier international gateway cities worldwide with a focus on Hong Kong and Mainland China on markets and locations in urban centres and popular resort areas with growth potential;
- Value-adding opportunities, e.g. properties that may be undermanaged or in need of capital investment and/or which may benefit from market re-positioning and the Regal brand and/or which may be extended or have other asset enhancement opportunities;
- Majority ownership of assets acquired; and
- Targeting income and cashflow generating properties.

While Regal REIT will focus on hotels and hospitality-related properties in Greater China, its investment scope also includes serviced apartments, offices and retail and entertainment complexes and the geographical scope goes beyond Greater China. Regal REIT's investment scope allows for flexibility in its growth through acquisition of, for example, mixed-use developments containing hotels, and other investment opportunities overseas.

The targeted properties may be unfinished and require furnishing and fit-out. However, the value of unfinished properties should, under the current terms of the Trust Deed, represent less than 10% of Regal REIT's gross asset value at the time of acquisition.

Subsequent to the relaxation of the REIT Code to allow REITs to undertake property development activities and invest in certain financial instruments and the relevant amendments to the Trust Deed, Regal REIT will be able to enjoy a larger degree of flexibility in its expanded investment scope.

The REIT Manager continues to actively evaluate opportunities in target markets, while remaining committed to the set investment criteria.

Regal REIT intends to hold its properties on a long-term basis. However, if in the future any hotel property no longer fits its investment objectives or when an attractive offer, given prevailing market conditions, is received, the REIT Manager may consider disposing of the property for cash, so that its investment capital can be redeployed according to the investment strategies outlined above.

MATERIAL ACQUISITIONS OR DISPOSALS OF REAL ESTATE

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

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 year.

BUY-BACK, SALE OR REDEMPTION OF UNITS

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

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.

MAJOR REAL ESTATE AGENTS

Save for the RHIHL Lessee and/or the Hotel Manager which had been delegated to take the responsibility for the operation and management of the five Initial Hotels and the four iclub Hotels pursuant to the respective related lease agreements and the hotel management agreements, and as disclosed in this Annual Report, Regal REIT did not engage any real estate agents to conduct any services or work for the five Initial Hotels and the four iclub Hotels during the year.

MAJOR CONTRACTORS

In 2021, the aggregate value of service contracts of the top three contractors engaged by Regal REIT and their respective value of services rendered and percentages in terms of property and hotel operating expenses were as follows:

Contractors	Nature of Services	Value of Services HK\$'000	Percentage
Regal Hotels International Limited	iclub Wan Chai Hotel management fees	307	2.1%
Regal Hotels International Limited	Marketing fees	125	0.9%
Paliburg Estate Management Limited	Building management fees	632	4.3%
		<u>1,064</u>	<u>7.3%</u>

Save for the above three transactions, there were no other major contractors engaged by Regal REIT during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The 2021 Environmental, Social and Governance Report of Regal REIT will be published as a separate report in due course.

ANNUAL GENERAL MEETING

The 2022 Annual General Meeting of Regal REIT will be convened on Wednesday, 18th May, 2022. Relevant notice of the Meeting will be contained in the circular of Regal REIT relating to the general mandate to buy-back Units to be sent to the Unitholders, together with the 2021 Annual Report.

On behalf of the Board

Regal Portfolio Management Limited

(as the REIT Manager of Regal REIT)

Johnny Chen Sing Hung and Simon Lam Man Lim

Executive Directors

Hong Kong, 31st March, 2022

DIRECTOR PROFILES

Mr. Lo Yuk Sui, aged 77, Chairman and Non-executive Director – Mr. Lo was appointed as the Chairman and Non-executive Director of the REIT Manager in 2006. He has over 50 years of experience in the real estate and hospitality sectors. He is an executive director, the chairman and chief executive officer of Regal Hotels International Holdings Limited (“RHIHL”) of which Regal REIT is a listed subsidiary. He has held the position as the chairman and managing director of RHIHL since 1989 when RHIHL was established in Bermuda as the holding company for the RHIHL group and was designated as chief executive officer in 2007. He has been the managing director and chairman of the predecessor listed company of the RHIHL group since 1984 and 1987, respectively. He is also an executive director, the chairman and chief executive officer of Century City International Holdings Limited (“CCIHL”) and Paliburg Holdings Limited (“PHL”), of which Regal REIT is a listed subsidiary, and Cosmopolitan International Holdings Limited (“Cosmopolitan”), of which Regal REIT is a listed fellow subsidiary. Mr. Lo oversees the overall policy and decision making of the CCIHL group. He is a qualified architect. Mr. Lo is the father of Miss Lo Po Man and Mr. Jimmy Lo Chun To.

Miss Lo Po Man, aged 42, Vice Chairman and Non-executive Director – Miss Lo was appointed as a Non-executive Director of the REIT Manager in 2012 and elected as the Vice Chairman of the REIT Manager in 2013. She graduated from Duke University, North Carolina, U.S.A. with a Bachelor’s Degree in Psychology. She is currently an executive director and a vice chairman of CCIHL and Cosmopolitan, an executive director of PHL, and an executive director, a vice chairman and the managing director of RHIHL. Miss Lo oversees the sales and marketing functions of the RHIHL group and also undertakes responsibilities in the business development of the CCIHL group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Johnny Chen Sing Hung, aged 54, Executive Director and Responsible Officer – Mr. Chen joined the REIT Manager as the Director – Asset Management and was appointed as an Executive Director in 2014. Mr. Chen is responsible for, among other things, overseeing and managing the asset management activities of Regal REIT and, jointly with Mr. Simon Lam Man Lim, for making disclosures and communications of Regal REIT to investors. Mr. Chen holds a Master of Business Administration degree, a Bachelor of Administrative Studies degree and a Bachelor of Arts degree (major in mathematics for commerce). He is a Fellow member of the Hong Kong Institute of Directors, a former member of the Chinese People’s Political Consultative Conference, Yuexiu District, Guangzhou City, China, and a Fellow member of Hong Kong Securities and Investment Institute. Mr. Chen has over 25 years of business development, trading, property investment, development and management experience. Prior to joining the REIT Manager, Mr. Chen was the Vice President - Business Development of Century City Holdings Limited, a subsidiary of CCIHL, from May 2013 to July 2014. Prior to that, he held various management and controller positions in different major Hong Kong companies and multinational corporations, including Silver Base Group Holdings Limited, Faithful Trading (H.K.) Ltd, Gome Home Appliances (HK) Limited and Chevalier Group.

Mr. Lam Man Lim (Alias: Simon), aged 65, Executive Director and Responsible Officer – Mr. Lam joined the REIT Manager as the Director of Finance and Investment and Investor Relations in 2010. He was appointed as an Executive Director in 2011. Mr. Lam is responsible for, among other things, overseeing and managing the finance, accounting and investment activities of Regal REIT. He is also responsible, jointly with Mr. Johnny Chen Sing Hung, for making the disclosures and communications of Regal REIT to investors. Mr. Lam holds a Master of Business Administration degree and is a Fellow member of The Hong Kong Institute of Certified Public Accountants, a Fellow member of The Hong Kong Institute of Directors and an associate member of The Chartered Institute of Management Accountants. Mr. Lam has over 40 years of finance and commercial experience in various business sectors and industries. Prior to joining the REIT Manager, he was an executive director and chief financial officer of Binhai Investment Company Limited, a listed company on the HK Stock Exchange. Prior to that, he held executive financial and investment management positions in Hong Kong listed companies and multinational corporations, including Link Asset Management Limited (the REIT manager of Link REIT), Johnson Electric, Motorola Asia Pacific Limited and Philips Electronics Group.

Mr. John William Crawford, JP, aged 79, Independent Non-executive Director – Mr. Crawford was appointed as an Independent Non-executive Director of the REIT Manager in 2006. He was one of the founders of Ernst & Young, Hong Kong office, and was vice-chairman of the firm when he retired at the end of 1997. During his 25 years in public practice, he was also the chairman of the audit division of Ernst & Young and was active in a number of large private and public company takeover and/or restructuring exercises. He has continued to undertake consultancy/advisory work in a private capacity since retirement, is active in the education sector and is the chairman of International Quality Education Limited. He also remains active in various community service areas such as having been a founding member of UNICEF Hong Kong Committee and the Hong Kong Institute of Directors. In 1997, he was appointed as a Justice of the Peace in Hong Kong. He currently acts as an independent non-executive director and the chairman of the audit committee for Melco International Development Limited, which is listed on the HK Stock Exchange. He also currently acts as an independent non-executive director and the chairman of the audit and risk committee for Melco Resorts & Entertainment Limited, which is listed on the NASDAQ.

Mr. Donald Fan Tung, aged 65, Non-executive Director – Mr. Fan was appointed as a Non-executive Director of the REIT Manager in 2006. He is a qualified architect. He is currently an executive director of CCIHL, PHL and RHIHL. He is also the chief operating officer of PHL. He is involved in the property development, architectural design and project management functions as well as overseeing the building construction business of the CCIHL group.

Mr. Bowen Joseph Leung Po Wing, GBS, JP, aged 72, Independent Non-executive Director – Mr. Leung was appointed as an Independent Non-executive Director of the REIT Manager in 2016. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing (“Beijing Office”) in November 2005. He joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is an independent non-executive director and a member of the Audit Committee for PHL and Quali-Smart Holdings Limited, both are listed on the HK Stock Exchange.

Mr. Lo Chun To (Alias: Jimmy), aged 48, Non-executive Director – Mr. Lo was appointed as a Non-executive Director of the REIT Manager in 2006. He is an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director, a vice chairman and the managing director of Cosmopolitan and an executive director of RHIHL. He graduated from Cornell University, New York, U.S.A. with a Bachelor of Architecture degree. He is primarily involved in overseeing the Cosmopolitan group's property projects in the People's Republic of China and, in addition, undertakes responsibilities in the business development of the CCIHL group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Mr. Ng Kwai Kai (Alias: Kenneth), aged 67, Non-executive Director – Mr. Ng was appointed as a Non-executive Director of the REIT Manager in 2012. He is a Chartered Secretary. He is currently an executive director and the chief operating officer of CCIHL and an executive director of PHL, RHIHL and Cosmopolitan. Mr. Ng is in charge of the corporate finance, company secretarial and administrative functions of CCIHL group.

Mr. Kai Ole Ringenson, aged 72, Independent Non-executive Director – Mr. Ringenson was redesignated as an Independent Non-executive Director of the REIT Manager in 2012. He was the Chief Executive Officer and Executive Director of the REIT Manager in 2006 and a Responsible Officer of the REIT Manager in 2007 until he became a Non-executive Director in March 2010. He has extensive experience in international hotel management and asset management. He has managed hotels in Asia, Europe and the United States and has managed numerous hotel turn-around situations. He obtained a Bachelor of Science (Hotel) degree from Cornell University, New York, U.S.A.. He joined the RHIHL group in 2001 and was an executive director of RHIHL and the chief operating officer of Regal Hotels International Limited, a wholly-owned subsidiary of RHIHL, from 2002 until he became a non-executive director of RHIHL in 2004. He resigned as a non-executive director of RHIHL in 2006 to become the sole Executive Director and Chief Executive Officer of the REIT Manager in 2006.

Hon. Abraham Shek Lai Him (Alias: Abraham Razack), GBS, JP, aged 76, Independent Non-executive Director – Mr. Shek was appointed as an Independent Non-executive Director of the REIT Manager in 2006. He holds a Bachelor of Arts degree from the University of Sydney. He is a Honorary Member of the Court of The Hong Kong University of Science & Technology, a member of both of the Court and the Council of The University of Hong Kong and a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption (ICAC). Mr. Shek is the vice chairman and executive director of Goldin Financial Holdings Limited, the honorary chairman, an independent non-executive director and the chairman of Audit Committee of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of audit committee of ITC Properties Group Limited and an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Cosmopolitan, Country Garden Holdings Company Limited, CSI Properties Limited, Everbright Grand China Assets Limited, Far East Consortium International Limited, Hao Tian International Construction Investment Group Limited, Landing International Development Limited, Lifestyle International Holdings Limited, International Alliance Financial Leasing Co., Ltd., NWS Holdings Limited and PHL, all of which are companies listed on the HK Stock Exchange. He also acts as an independent non-executive director of Lai Fung Holdings Limited, which is listed on the HK Stock Exchange. He is an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited which is the manager of Champion Real Estate Investment Trust, the units of which are listed on the HK Stock Exchange.

EXECUTIVE OFFICER PROFILES

Ms. Peony Choi Ka Ka, Compliance Manager and Company Secretary – Ms. Choi is responsible for, among other things, ensuring that the REIT Manager and Regal REIT complies with the Trust Deed, the REIT Code, the Listing Rules and other applicable laws, regulations and rules and corporate secretarial functions. She holds a Bachelor of Laws degree and a Master of Arts degree in Professional Accounting and Information Systems in Hong Kong. She is also an associate member of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. She is familiar with compliance matters under the rules and laws of Hong Kong that are applicable to private and listed companies.

Mr. Alan Chong Nga Lun, Manager – Property/Investment – Mr. Chong is responsible for assisting the Executive Directors to oversee and manage the property and investment activities of Regal REIT, including but not limited to identify investment opportunities and formulate action plans of asset enhancement initiatives. He specializes in property development, investment, land administration matters and valuation across the real estate spectrum. Mr. Chong holds a Bachelor of Science degree in Real Estate. He is a professional member of both The Royal Institution of Chartered Surveyors and The Hong Kong Institution of Surveyors. Prior to joining the REIT Manager, he has worked in both private and public sectors.

Ms. Charlotte Cheung Wing Shan, Internal Auditor – Ms. Cheung is responsible for, among other things, reviewing the accuracy and completeness of records of the operations and transactions of Regal REIT and ensuring that the risk management and internal control systems function properly and effectively. She holds a Bachelor of Business Administration degree majoring in Professional Accountancy and a Master of Laws degree. She is an associate member of the Hong Kong Institute of Certified Public Accountants. Before joining the REIT Manager, she worked in an international audit firm where she provided audit services to local and multinational companies in a variety of industries and including listed companies. She is familiar with internal audit matters and internal control systems for companies in various business sectors.

Regal REIT is committed to maintaining the highest level of corporate governance practices and procedures. The REIT Manager has adopted a compliance manual for use in relation to the management and operation of Regal REIT (the "Compliance Manual") which sets out the key processes, systems, and policies and procedures to guide operations and, thereby, set a high standard of corporate governance to ensure relevant regulations and legislation are adhered to. Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the REIT Manager and Regal REIT.

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 year 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. Subsequent to the year under review, on 21st January, 2022, Mr. Wesley Chan Hiu Yeung ceased to act as the Responsible Officer 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.

ROLES OF THE TRUSTEE AND THE REIT MANAGER

The Trustee is responsible under the Trust Deed for the safe custody of the assets of Regal REIT for the benefit of the Unitholders as a whole and oversees the activities of the REIT Manager for compliance with the Trust Deed and regulatory requirements.

The REIT Manager was appointed under the Trust Deed to manage Regal REIT and, in particular, to ensure that the financial and economic aspects of Regal REIT's assets are professionally managed in the sole interests of the Unitholders.

The Trustee and the REIT Manager are functionally independent of each other.

Under the regulatory regime of the SFC by classifying eight core functions, each of the core functions has been assigned to designated management personnel as Managers-in-charge (MIC) as set out below.

Core functions	MICs
1. Overall Management Oversight	<ul style="list-style-type: none"> • Executive Director – Finance • Executive Director – Asset Management
2. Key Business Line	<ul style="list-style-type: none"> • Executive Director – Finance • Executive Director – Asset Management • Manager – Property / Investment
3. Operational Control and Review	<ul style="list-style-type: none"> • Executive Director – Finance • Executive Director – Asset Management • Internal Auditor
4. Risk Management	<ul style="list-style-type: none"> • Internal Auditor
5. Finance and Accounting	<ul style="list-style-type: none"> • Executive Director – Finance • Accounting Manager
6. Information Technology	<ul style="list-style-type: none"> • Executive Director – Finance
7. Compliance	<ul style="list-style-type: none"> • Compliance Manager
8. Anti-Money Laundering and Counter-Terrorist Financing	<ul style="list-style-type: none"> • Executive Director – Finance • Executive Director – Asset Management

BOARD OF DIRECTORS OF THE REIT MANAGER

Functions of the Board

The board of directors of the REIT Manager (the “Board”) is responsible for overseeing the overall corporate 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 is also responsible for ensuring that the REIT Manager discharges its duties under the Trust Deed which includes but not limited to managing Regal REIT in accordance with the Trust Deed in the best interests of the Unitholders; ensuring sufficient oversight of the daily operations and financial conditions of Regal REIT; and monitoring the REIT Manager and Regal REIT are in compliance with the licensing and authorisation conditions and any other legal and regulatory requirements.

All material policies and decisions remain within the authority of the Board as a whole. Subject to the matters specifically reserved to the Board as set out in the Compliance Manual, the Board delegates certain management and supervisory functions to the management team and relevant committees of the Board.

Board Composition and Board Diversity

With the objective of creating a Board structure that is both effective and balanced, the size of the Board was set to provide for a minimum of five directors and a maximum of twenty directors. Pursuant to a specific REIT Manager corporate governance policy, independent non-executive directors must be individuals who fulfill the independence criteria as set out in the Compliance Manual.

The composition of the Board is determined using the following key principles:

- the Chairman of the Board must be a Non-executive Director of the REIT Manager;
- at least one-third of the Board should be Independent Non-executive Directors with a minimum of three Independent Non-executive Directors; and
- the Board must comprise Directors with a broad range of commercial experience including expertise in hotel investment and management, in fund and asset management and/or in the property industry.

During the year, the Board is responsible for the review of its composition regularly to ensure that the Board has the appropriate mix of expertise and experience, and that the Directors being appointed have the relevant expertise and experience in discharging their duties. A Board Diversity Policy has been adopted to set out the policy for designing the composition of the Board, aiming to achieve diversity with balanced skills and expertise. In reviewing the Board composition, the Board considers the benefits of all aspects of diversity as set out in the Board Diversity Policy including but not limited to gender, age, cultural and educational background, ethnicity, professional knowledge and industry experience, in order to maintain an appropriate range and balance of skills, experience and background on the Board.

The Board presently comprises two Executive Directors, five Non-executive Directors and four Independent Non-executive Directors. The positions of Chairman and Executive Directors are held by different persons in order to maintain an effective segregation of duties. The Board currently comprises the following members:

Chairman and Non-executive Director

Lo Yuk Sui

Vice Chairman and Non-executive Director

Lo Po Man

Executive Directors

Johnny Chen Sing Hung

Simon Lam Man Lim

Non-executive Directors

Donald Fan Tung

Jimmy Lo Chun To

Kenneth Ng Kwai Kai

Independent Non-executive Directors

John William Crawford, JP

Bowen Joseph Leung Po Wing, GBS, JP

Kai Ole Ringenson

Abraham Shek Lai Him, GBS, JP

The following table shows the diversity profile of the Board as at 31st December, 2021:

		No. of Directors
Gender:	Male	10
	Female	1
Age Group:	41-50	2
	51-60	1
	61-70	3
	71-80	5
Length of Service (year):	1-10	4
	11-15	1
	>15	6

The biographical details of the Directors, including the relationship among them, are disclosed in the preceding section "Director and Executive Officer Profiles" contained in this Annual Report.

Appointment and Removal of Directors

The appointment and removal of Directors is a matter for the Board and the shareholder of the REIT Manager to determine in accordance with the provisions of the Compliance Manual and the articles of association of the REIT Manager. All Directors (including the Non-executive Directors and Independent Non-executive Directors) of the REIT Manager were not appointed for specific terms but, in accordance with the Compliance Manual, the maximum term of an Independent Non-executive Director is nine years. If such Independent Non-executive Director has served on the Board for more than nine years, his/her further appointment will be subject to a separate resolution to be approved by Unitholders.

Directors may be nominated for appointment and/or removal by the Board following recommendations made by the audit committee of the REIT Manager (the "Audit Committee"). In considering persons for appointment as Directors, the Board will consider a number of matters as set out in the Compliance Manual in assessing whether such persons are fit and proper to be Directors.

Directors' Interests in Transactions, Arrangements or Contracts

Save as otherwise disclosed, there were no transaction, arrangement or contract of significance subsisting during or at the end of the reporting period in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly.

None of the Directors had a service contract, which is not determinable within one year without payment of compensation (other than statutory compensation), with Regal REIT or any of its subsidiaries during the year.

Conflicts of Interest

The REIT Manager has instituted the following policies to deal with issues of conflict of interest:

- (i) The REIT Manager is a dedicated manager to Regal REIT and will not manage any other real estate investment trusts or be involved in any other real property businesses.
- (ii) All of the Executive Officers will be employed by the REIT Manager on a full time basis and will not maintain any other roles apart from their roles within the REIT Manager.
- (iii) All connected party transactions are to be managed in accordance with the provisions set out in the Compliance Manual.
- (iv) Where any Director or executive officer has a material interest in any transaction relating to Regal REIT or the REIT Manager which gives rise to an actual or potential conflict of interest in relation to such transaction, he or she shall not advise on or deal in relation to such transaction unless he or she has disclosed such material interest or conflict to the Board and has taken all reasonable steps to ensure fair treatment of both the REIT Manager and Unitholders.

Permitted Indemnity Provision

A permitted indemnity provision for the benefits of the Directors of the REIT Manager is currently in force and was in force throughout the year. During the year under review, appropriate investment management insurance has been taken out and maintained for providing appropriate cover for the Directors and officers of the REIT Manager.

Independence of Independent Non-executive Directors

Each of the Independent Non-executive Directors of the REIT Manager has made an annual confirmation of independence pursuant to the "Criteria for Independence of INEDs" as set out in the Compliance Manual, on terms no less exacting than those set out in the Listing Rules for assessing the independence of a Non-executive Director. The REIT Manager considered all Independent Non-executive Directors have met the independence criteria as set out in the Compliance Manual.

Change of Information of Director

Subsequent to publication of the 2021 interim 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	- Ceased to act as a member of the Legislative Council for the Hong Kong Special Administrative Region with effect from 31st December, 2021.

Continuous Professional Development of Directors

During the year under review, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In 2021, the REIT Manager arranged for the distribution of reading materials covering topics on the trends towards Board accountability and the social aspects in the Environmental, Social and Governance Report to Directors. The training received by the Directors during the year under review is summarised below:

Names of Directors	Types of training
<i>Chairman and Non-executive Director</i>	
Lo Yuk Sui	B
<i>Vice Chairman and Non-executive Director</i>	
Lo Po Man	B
<i>Executive Directors</i>	
Johnny Chen Sing Hung	A,B
Simon Lam Man Lim	A,B
<i>Non-executive Directors</i>	
Donald Fan Tung	B
Jimmy Lo Chun To	B
Kenneth Ng Kwai Kai	A,B
<i>Independent Non-executive Directors</i>	
John William Crawford, JP	A,B
Bowen Joseph Leung Po Wing, GBS, JP	A,B
Kai Ole Ringenson	B
Abraham Shek Lai Him, GBS, JP	A,B

A – Attending briefings/seminars/conferences/forums

B – Reading/studying training or other materials

Meetings

The Board conducts regular meetings and generally meets no less than four times in each financial year, at approximate quarterly intervals, to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to the members of the Board in a timely manner in order to enable them to discharge their duties.

Four full Board meetings of the REIT Manager and one general meeting of the Unitholders were held during the year ended 31st December, 2021 and the attendance rates of the individual Board members were as follows:

Names of Directors	Attendance/ No. of General Meeting	Attendance/ No. of Board Meetings
<i>Chairman and Non-executive Director</i>		
Lo Yuk Sui	1/1	4/4
<i>Vice Chairman and Non-executive Director</i>		
Lo Po Man	1/1	4/4
<i>Executive Directors</i>		
Johnny Chen Sing Hung	1/1	4/4
Simon Lam Man Lim	1/1	4/4
<i>Non-executive Directors</i>		
Donald Fan Tung	1/1	4/4
Jimmy Lo Chun To	1/1	4/4
Kenneth Ng Kwai Kai	1/1	4/4
<i>Independent Non-executive Directors</i>		
John William Crawford, JP	1/1	4/4
Bowen Joseph Leung Po Wing, GBS, JP	1/1	4/4
Kai Ole Ringenson	1/1	4/4
Abraham Shek Lai Him, GBS, JP	1/1	4/4

AUDIT COMMITTEE

The Audit Committee was established with specific terms of reference that deal with its authority and duties. The Audit Committee currently comprises the following Directors:

Independent Non-executive Directors

John William Crawford, JP (Chairman of the Committee)

Bowen Joseph Leung Po Wing, GBS, JP

Kai Ole Ringenson

Abraham Shek Lai Him, GBS, JP

Non-executive Director

Kenneth Ng Kwai Kai

The Audit Committee is responsible for, among other matters, (a) reviewing the completeness, accuracy, clarity and fairness of Regal REIT's financial statements; (b) considering the scope, approach and nature of both internal and external audit reviews; (c) the overall adequacy of risk management and internal control measures; (d) reviewing and monitoring connected party transactions; (e) assessing the independence of the Independent Non-executive Directors; (f) making recommendations on the appointment or re-appointment of Directors and succession planning; and (g) nominating the external auditor including the approval of the remuneration, reviewing the adequacy of external audits and guiding management to take appropriate actions to remedy faults or deficiencies in any issues of internal control which may be identified.

In addition to informal or ad hoc meetings and discussions, three formal Audit Committee meetings of the REIT Manager were held during the year ended 31st December, 2021 to consider and review, among other things, the 2020 final results, the 2021 interim results, internal audit reports, connected party transactions, risk management, annual budgets and forecasts, the recommendation on the re-appointment of certain Independent Non-executive Directors and other compliance matters of Regal REIT. The attendance rates of the individual members were as follows:

Names of Audit Committee Members	Attendance/ No. of Meetings
John William Crawford, JP (Chairman of the Committee)	3/3
Bowen Joseph Leung Po Wing, GBS, JP	3/3
Kai Ole Ringenson	3/3
Abraham Shek Lai Him, GBS, JP	3/3
Kenneth Ng Kwai Kai	3/3

DISCLOSURE COMMITTEE

The disclosure committee of the REIT Manager (the "Disclosure Committee") is responsible for, among other matters, reviewing all areas relating to the regular, urgent and forward looking disclosures of information to Unitholders and public announcements.

The Disclosure Committee currently comprises the following Directors:

Independent Non-executive Directors

John William Crawford, JP (Chairman of the Committee)

Kai Ole Ringenson

Executive Directors

Johnny Chen Sing Hung

Simon Lam Man Lim

Non-executive Directors

Donald Fan Tung

Kenneth Ng Kwai Kai

Two formal Disclosure Committee meetings of the REIT Manager were held during the year ended 31st December, 2021 to consider and review, among other things, the 2020 final results announcement, the 2020 annual report, the 2021 interim results announcement, the 2021 interim report and other corporate disclosure issues of Regal REIT. The attendance rates of the individual members were as follows:

Names of Disclosure Committee Members	Attendance/ No. of Meetings
John William Crawford, JP (Chairman of the Committee)	2/2
Johnny Chen Sing Hung	2/2
Simon Lam Man Lim	2/2
Donald Fan Tung	2/2
Kenneth Ng Kwai Kai	2/2
Kai Ole Ringenson	2/2

NOMINATION COMMITTEE

Subsequent to the year under review, on 18th March, 2022, the REIT Manager has established a nomination committee (the “Nomination Committee”) of the REIT Manager with specific terms of reference that deal with its authority and duties. Certain duties including the making of recommendations for appointment and reappointment as Directors and the assessment of the independence of the Independent Non-executive Directors, which are presently undertaken by the Audit Committee, will be reallocated to the Nomination Committee. The Nomination Committee currently comprises the following Directors:

Non-Executive Directors

Lo Yuk Sui (Chairman of the Committee)
Kenneth Ng Kwai Kai

Independent Non-executive Directors

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

AUDITOR’S REMUNERATION

The remuneration to Messrs. Ernst & Young, the external auditor of Regal REIT, in respect of the audit and non-audit services rendered for the year ended 31st December, 2021 were HK\$1.9 million (2020: HK\$1.8 million) and HK\$0.9 million (2020: HK\$0.8 million), respectively. The non-audit services include interim review of the financial statements of Regal REIT for the six months ended 30th June, 2021, report of factual findings on connected party transactions, and compliance and other services to Regal REIT.

OTHER DISCLOSURE ON REMUNERATION

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, therefore, no remuneration of the Directors and staffs of the REIT Manager is paid by Regal REIT. All remuneration payable to the Directors and staffs of the REIT Manager is paid and borne by the REIT Manager out of its own resources.

Both of the REIT Manager fees and the Trustee fees are paid by Regal REIT in accordance with the terms of the Trust Deed.

REPORTING AND TRANSPARENCY

Regal REIT prepares its financial statements in accordance with generally accepted accounting principles in Hong Kong and has a financial year ending 31st December with a financial half year period ending 30th June. In accordance with the REIT Code, the annual report and financial statements of Regal REIT are to be published and despatched to Unitholders no later than four months following each financial year end and the interim report no later than three months following each financial half year period end.

As required by the REIT Code, the REIT Manager ensures all public announcements of material information and developments with respect to Regal REIT are made on a timely basis in order to keep Unitholders apprised of the position of Regal REIT.

UNITHOLDERS' RIGHTS

Regal REIT will hold a general meeting each year as its annual general meeting in addition to any other meetings deemed necessary during the year. The Trustee or the REIT Manager may (and the REIT Manager will at the request in writing of not less than two Unitholders registered as together holding not less than 10% of the Units for the time being in issue and outstanding) at any time convene a meeting of the Unitholders. Such written requisition must state the purposes of the meeting, and be signed by the requisitioner(s) and deposited at the office of the REIT Manager at Unit No. 2001, 20th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong (for the attention of the Executive Directors). Notices convening the annual general meeting and other general meeting of Unitholders will be given to the Unitholders in accordance with the requirements of the Trust Deed, the REIT Code and the applicable Listing Rules, and such notices will specify the time and place of the meetings and the resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding together not less than 10% of the Units for the time being in issue and outstanding will form a quorum for the transaction of all business, except for the purpose of passing special resolutions. The quorum for passing a special resolution will be two or more Unitholders present in person or by proxy registered as holding together not less than 25% of the Units for the time being in issue and outstanding. At any meeting of the Unitholders, a resolution put to the meeting shall be decided on a poll.

In addition, Unitholders may also send written enquiries to the REIT Manager for putting forward any enquiries or proposals about Regal REIT to the Board at the abovementioned REIT Manager's office (for the attention of the Executive Directors).

AMENDMENT TO THE TRUST DEED

In order to reflect the 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 HK 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.

MATTERS TO BE DECIDED BY THE UNITHOLDERS BY SPECIAL RESOLUTION

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of special resolution. Such matters include, among other things:

- (a) any change in the REIT Manager's investment policies/strategies for Regal REIT;
- (b) disposal of any real estate investment of Regal REIT or shares in any special purpose vehicles holding such real estate investment within two years of acquisition;
- (c) any increase in the rate of the REIT Manager fees above the permitted limit or any change in the structure of the REIT Manager fees;
- (d) any increase in the rate of the Trustee fees above the permitted limit or any change in the structure of the Trustee fees;
- (e) any increase in the rate of the acquisition fees above the permitted limit or any change in the structure of the acquisition fees;
- (f) any increase in the rate of the divestment fees above the permitted limit or any change in the structure of the divestment fees;
- (g) certain modifications of the Trust Deed;
- (h) termination of Regal REIT;
- (i) merger of Regal REIT;
- (j) removal of Regal REIT's external auditor; and
- (k) removal of the Trustee.

As stated above, the quorum for passing a special resolution is two or more Unitholders present in person or by proxy registered as holding together not less than 25% of the Units in issue and outstanding. A special resolution may only be passed by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting and the votes shall be taken by way of poll.

ISSUE OF FURTHER UNITS POST-LISTING

To minimise the possible material dilution of holdings of Unitholders, any further issues of Units need to comply with the pre-emption provisions contained in the REIT Code and the Trust Deed. Any further issues of Units must be first offered on a pro rata pre-emptive basis to all existing Unitholders except that Units may be issued, or agreed (conditionally or unconditionally) to be issued, in any financial year (whether directly or pursuant to any Convertible Instruments (as defined in the Trust Deed)), otherwise than on a pro rata basis to all existing Unitholders and without the approval of Unitholders subject to conditions as more particularly set out in the Trust Deed.

Any issue, grant or offer of Units or Convertible Instruments to a connected person of Regal REIT (the "Connected Person") will require specific prior approval of Unitholders by way of an Ordinary Resolution (as defined in the Trust Deed), unless such issue, grant or offer is made under the following circumstances (where, for the avoidance of doubt, no Unitholders' approval will be required):

- (i) the Connected Person receives a pro rata entitlement to Units and/or Convertible Instruments in its capacity as a Unitholder; or
- (ii) Units are issued to a Connected Person under Clauses 14.1.1 and/or 14.1.2 of the Trust Deed in or towards the satisfaction of the REIT Manager fees; or
- (iii) Units and/or Convertible Instruments are issued to a Connected Person within 14 days after such Connected Person has executed an agreement to reduce its holding in the same class of Units and/or Convertible Instruments by placing such Units and/or Convertible Instruments to or with any person(s) who is/are not its associate(s), provided always that (a) the new Units and/or Convertible Instruments must be issued at a price not less than the placing price (which may be adjusted for the expenses of the placing); and (b) the number of Units and/or Convertible Instruments issued to the Connected Person must not exceed the number of Units and/or Convertible Instruments placed by it; or
- (iv) the Connected Person is acting as underwriter or sub-underwriter of an issue or offer of Units or other securities by or on behalf of Regal REIT or any Special Purpose Vehicle (as defined in the Trust Deed), provided that:
 - (a) the issue or offer is made under and in accordance with Clause 5.1.6 of the Trust Deed; and
 - (b) the issue or offer is in compliance with any applicable provisions of the Listing Rules where a Connected Person is acting as an underwriter or sub-underwriter of an offer of shares or other securities by a listed company, with necessary changes being made, as if the provisions therein are applicable to real estate investment trusts; or
- (v) the excess application and the taking up of pro rata entitlements by the Connected Person in respect of a pro rata issue of Units and/or Convertible Instruments under Clause 5.1.6 of the Trust Deed or an open offer by Regal REIT on a pro rata basis; or
- (vi) Units are issued to a Connected Person pursuant to a reinvestment of a distribution in accordance with Clause 11.10 of the Trust Deed.

During the year, no new Units was allotted and issued.

CODE GOVERNING DEALINGS IN UNITS BY DIRECTORS, THE REIT MANAGER OR SIGNIFICANT UNITHOLDERS

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.

Pursuant to the Units Dealings Code, any Directors or the REIT Manager who wish to deal in the securities of Regal REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if the SFO applies to the securities of Regal REIT. In addition, a Director or the REIT Manager must not make any disclosures of confidential information or make any use of such information for the advantage of himself/itself or others.

Directors or the REIT Manager who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are designated transactions or connected party transactions under the REIT Code or notifiable transactions or connected transactions under the Listing Rules or any inside information must refrain from dealing in the Units as soon as they become aware of or privy to such information until proper disclosure thereof in accordance with the REIT Code and any applicable Listing Rules. Directors and the REIT Manager who are privy to relevant negotiations or agreements or any inside information should caution those Directors or the REIT Manager who are not so privy that there may be unpublished inside information and that they must not deal in Regal REIT’s securities for a similar period.


The REIT Manager has also adopted procedures for the monitoring of disclosures of interests by Directors and the REIT Manager. The relevant provisions of Part XV of the SFO shall be deemed to apply to the REIT Manager and the Directors of the REIT Manager and each Unitholder and all persons claiming through or thereunder.

Under the Trust Deed and by virtue of the deemed application of Part XV of the SFO, Unitholders with a holding of 5% or more of the Units will be required to notify the HK Stock Exchange, the REIT Manager and the Trustee of their holdings in Regal REIT. The REIT Manager shall keep a register for these purposes and it shall record in the register, against a person’s name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection at all times by the Trustee and any Unitholder.

Following specific enquiries, the Directors 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 year ended 31st December, 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The REIT Manager has an internal audit function and procedures in place to provide independent assessments of the risk management and internal control systems and operational functions so as to identify, evaluate and manage significant risks, and review their adequacy and effectiveness on an ongoing basis. Such systems were designed to manage rather than to eliminate the risk of failure in achieving business objectives, and to provide reasonable and not absolute assurance against material misstatements or losses. The Internal Auditor of the REIT Manager prepares annual audit plans and conducts audit reviews focusing on financial, operational and compliance controls of Regal REIT.



The Board acknowledges its responsibility for overseeing Regal REIT's risk management and internal control systems and compliance procedures and for reviewing the effectiveness of such systems. During the year, through the design, implementation and on-going reviews of the systems and updates by the internal auditor and related senior executives, the Audit Committee and the Board fulfilled its corporate governance role in financial, operational, compliance controls of Regal REIT in identifying any significant management and operational risks, control failings or weaknesses, and any control improvements in order to respond to changes in the business and external environment. The Board, through the Audit Committee, has conducted an annual review on the effectiveness of the risk management and internal control systems. Based on the audit plans, regular management reports and internal audit reviews, the Board ensures effective implementation of the risk management and internal control systems and compliance procedures to mitigate any damage arising from the identified risks and control weaknesses. Management confirmed to the Audit Committee and the Board that the risk management and internal control systems were adequate and effective and no material deficiencies were noted during the year.

The Board, through the Audit Committee and the Disclosure Committee, has established policies and meets periodically, to ensure that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations.

PUBLIC FLOAT

As at 31st December, 2021, there were 3,257,431,189 Units in issue.

Based on the information that is publicly available to the REIT Manager and as reported to the Directors of the REIT Manager, more than 25% of the Units were held by independent public Unitholders as at 31st December, 2021.

COMPLIANCE

Regal REIT and the REIT Manager have complied with the provisions of the Compliance Manual and, where applicable, the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the year.

REVIEW OF ANNUAL REPORT

The Disclosure Committee and the Audit Committee of the REIT Manager have reviewed this Annual Report for the year ended 31st December, 2021, in conjunction with Regal REIT's external auditor. This Annual Report was approved by the Board of the REIT Manager on 31st March, 2022.

The Directors of the REIT Manager acknowledge their responsibility for the preparation of a true and fair presentation of the financial statements of Regal REIT for the year ended 31st December, 2021 in accordance with the Hong Kong Financial Reporting Standards, the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in the REIT Code.

The statement by the Regal REIT external auditor, Messrs. Ernst & Young, about their reporting responsibilities on the financial statements of Regal REIT for the year ended 31st December, 2021 is set out in the section "Independent Auditor's Report" contained in this Annual Report.

During the year 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 expiring 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 year, the cash market rental income and other income under the Initial Hotels Lease Agreements amounted to approximately HK\$472.5 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 (the “Initial Hotels 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 then 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 then 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 year, total management fees under the New Wan Chai Hotel Management Agreement amounted to approximately HK\$0.3 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. 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 year, the market rental income under the New SW Lease Agreement amounted to HK\$26.0 million.

(g) SW Lease Guarantee

Pursuant to a lease guarantee entered into on 10th February, 2014 (the “SW Lease Guarantee”), 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. 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 year, the market rental income under the New FH Lease Agreement amounted to HK\$26.0 million.

(j) FH Lease Guarantee

Pursuant to a lease guarantee entered into on 28th July, 2014 (the “FH Lease Guarantee”), 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) Tenancy Agreement and 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 year, total contractual lease income under the New Tenancy Agreement amounted to approximately HK\$1.7 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. On 29th December, 2021, pursuant to the terms of the MTW Lease Agreement, the iclub Ma Tau Wai Hotel – Property Company (as the Lessor) exercised its discretion to serve a written notice to the RHIHL Lessee to extend the lease term for a further term, commencing from 4th September, 2022 and expiring on 31st December, 2027 (both days inclusive), which exercise notice has been duly acknowledged and accepted by the RHIHL Lessee. Save for the extension of the lease term as mentioned above, all the other existing terms and conditions of the MTW Lease Agreement will remain unchanged.

During the year, the contractual cash rental receipts under the MTW Lease Agreement amounted to approximately HK\$65.7 million.

(n) MTW Lease Guarantee

Pursuant to a lease guarantee entered into on 4th September, 2017 (the “MTW Lease Guarantee”), 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\$86.1 million for such services rendered during the year were settled and/or are to be settled pursuant to the provisions of the Trust Deed.

Waivers from Strict Compliance

- (a) A waiver (the “Initial Hotels – RHIHL Connected Persons Group’s Waiver”) from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code, in respect of the Initial Hotels Lease Agreements, Initial Hotels Management Agreements, Initial Hotels Lease Guarantees and Initial Hotels Deed of Trade Mark Licence described above, was granted by the SFC on 5th March, 2007 subject to the terms and conditions as set out in the offering circular dated 19th March, 2007 issued by the REIT Manager (the “Offering Circular”).

On 15th January, 2020, the SFC extended its waiver term for the Initial Hotels – RHIHL Connected Persons Group’s Waiver in respect of the Initial Hotel Lease Agreements, so that such waiver will only cease on the date of expiry (being (i) 27th December, 2028 for Regal Airport Hotel; and (ii) 31st December, 2030 for the other four Initial Hotels) or termination of such agreements, whichever is earlier. Reference can be made to the related announcement dated 15th January, 2020 published by the REIT Manager.

During the year, Regal REIT has complied with the terms and conditions of the Initial Hotels – RHIHL Connected Persons Group’s Waiver.

- (b) On 17th July, 2013, the SFC granted (subject to the terms and conditions as set out in the announcement dated 18th July, 2013 published by the REIT Manager) a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the SW Lease Agreement, the New SW Lease Agreement, the SW Lease Guarantee, the SW Hotel Management Agreement, the FH Lease Agreement, the New FH Lease Agreements, the FH Lease Guarantee and the FH Hotel Management Agreement described above (the "SW & FH Hotels – RHIHL Connected Persons Group's Waiver").

During the year, Regal REIT has complied with the terms and conditions of the SW & FH Hotels – RHIHL Connected Persons Group's Waiver.

- (c) On 20th July, 2017, the SFC granted (subject to the terms and conditions as set out in the announcement dated 20th July, 2017 published by the REIT Manager) a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the MTW Lease Agreement, the MTW Lease Guarantee and the MTW Hotel Management Agreement described above (the "MTW Hotel – RHIHL Connected Persons Group's Waiver").

During the year, Regal REIT has complied with the terms and conditions of the MTW Hotel – RHIHL Connected Persons Group's Waiver.

- (d) On 15th January, 2020, the SFC granted (subject to the terms and conditions as set out in the announcement dated 15th January, 2020 published by the REIT Manager) a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the New Wan Chai Hotel Management Agreement described above (the "WC Hotel – RHIHL Connected Persons Group's Waiver").

During the year, Regal REIT has complied with the terms and conditions of the WC Hotel – RHIHL Connected Persons Group's Waiver.

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 year.

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\$3.5 million were recorded during the year for services rendered in this capacity.

Waiver from Strict Compliance

A waiver (the "Trustee Connected Persons Group's Waiver") from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code, in respect of the above transactions with connected persons (as defined in paragraph 8.1 of the REIT Code) of the Trustee was granted by the SFC on 5th March, 2007 subject to certain terms and conditions as set out in the Offering Circular.

During the year, Regal REIT has complied with the terms and conditions of the Trustee Connected Persons Group's Waiver.

REPORT ON FACTUAL FINDINGS

Pursuant to all Waivers from Strict Compliance granted by the SFC as disclosed herein, the external auditor of Regal REIT was engaged to report on findings of agreed-upon procedures performed in relation to the Regal REIT Group's continuing connected party transactions in accordance with Hong Kong Standard on Related Services 4400 (Revised) "Agreed-Upon Procedures Engagements" and with reference to terms and conditions set out in the Waivers from Strict Compliance. The external auditor issued the report on factual findings and the report was presented to the Board of Directors of the REIT Manager. The report will also be provided by the REIT Manager to the SFC.

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors of the REIT Manager have reviewed all relevant connected party transactions including those connected party transactions with the RHIHL Connected Persons Group and the Trustee Connected Persons Group 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 31st December, 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:

Names of Substantial Unitholders	Total number of issued Units held	Approximate percentage of the issued Units as at 31st December, 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 RBVI and 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 RBVI and 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 31st December, 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 RBVI and its wholly-owned subsidiaries, respectively.
- (vii) RHIHL is a listed subsidiary of PDBVI, which held an approximately 69.25% shareholding interest in RHIHL as at 31st December, 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 31st December, 2021.

Save as disclosed herein, there were no other persons who, as at 31st December, 2021, had interests in Units which are required to be recorded in the Register.

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

As at 31st December, 2021, the interests of the REIT Manager, directors and chief executives 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 31st December, 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 60.77% shareholding interest as at 31st December, 2021.
- (ii) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 31st December, 2021.

Save as disclosed herein, as at 31st December, 2021, none of the REIT Manager, the Directors and the chief executives of the REIT Manager had 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 the Regal REIT) in Units as disclosed herein, the REIT Manager is not aware of any other Connected Persons of Regal REIT holding any Units.

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2021

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2021

	Notes	2021 HK\$'000	2020 HK\$'000
PROFIT/(LOSS) FOR THE YEAR, BEFORE DISTRIBUTIONS TO UNITHOLDERS		577,087	(2,309,806)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Gain/(Loss) on revaluation of property	11	39,656	(62,952)
Income tax effect	22	(6,543)	10,387
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		33,113	(52,565)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		33,113	(52,565)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, BEFORE DISTRIBUTIONS TO UNITHOLDERS		610,200	(2,362,371)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	11	575,000	543,000
Investment properties	12	22,149,000	21,829,000
Finance lease receivables	13	13,819	1,584
Total non-current assets		22,737,819	22,373,584
Current assets			
Accounts receivable	14	4,919	9,361
Prepayments, deposits and other receivables	15	6,930	6,066
Due from related companies	27(b)	1,419	358
Tax recoverable		1,182	3,005
Finance lease receivables	13	6,821	10,218
Restricted cash	16	99,233	88,493
Cash and cash equivalents	17	54,152	244,017
Total current assets		174,656	361,518
Total assets		22,912,475	22,735,102
Current liabilities			
Accounts payable	18	32,105	60,801
Deposits received		208	326
Due to related companies	27(b)	401	961
Other payables and accruals		25,036	21,489
Contract liabilities	19	440	377
Interest-bearing bank borrowings	21	248,000	4,756,330
Lease liabilities	20	6,821	10,218
Tax payable		18,118	14,055
Total current liabilities		331,129	4,864,557
Net current liabilities		(156,473)	(4,503,039)
Total assets less current liabilities		22,581,346	17,870,545

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing bank borrowings	21	9,744,044	5,292,390
Lease liabilities	20	13,819	1,584
Deposits received		2,667	2,667
Deferred tax liabilities	22	673,905	643,044
Total non-current liabilities		10,434,435	5,939,685
Total liabilities, excluding net assets attributable to Unitholders			
		10,765,564	10,804,242
Net assets attributable to Unitholders			
		12,146,911	11,930,860
Number of Units in issue			
	23	3,257,431,189	3,257,431,189
Net asset value per Unit attributable to Unitholders			
	24	HK\$3.729	HK\$3.663

The consolidated financial statements on pages 66 to 119 were approved and authorised for issue by Regal Portfolio Management Limited as the Manager of Regal REIT on 31st March, 2022 and were signed on its behalf by:

SIMON LAM MAN LIM
Executive Director

LO YUK SUI
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31st December, 2021

	Units HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets as at 1st January, 2021	8,432,356	15,876	128,511	3,354,117	11,930,860
Profit for the year	—	—	—	577,087	577,087
Other comprehensive income for the year:					
Gain on revaluation of property, net of tax	—	—	33,113	—	33,113
Total comprehensive income for the year, before distributions to Unitholders	—	—	33,113	577,087	610,200
Transfer of depreciation on a hotel property	—	—	(1,274)	1,274	—
Finance costs – distributions to Unitholders	—	—	—	(394,149)	(394,149)
Net assets as at 31st December, 2021	8,432,356	15,876	160,350	3,538,329	12,146,911

For the year ended 31st December, 2020

	Units HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total 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 year	—	—	—	(2,309,806)	(2,309,806)
Other comprehensive loss for the year:					
Loss on revaluation of property, net of tax	—	—	(52,565)	—	(52,565)
Total comprehensive loss for the year, before distributions to Unitholders	—	—	(52,565)	(2,309,806)	(2,362,371)
Transfer of depreciation on a hotel property	—	—	(1,623)	1,623	—
Finance costs – distributions to Unitholders	—	—	—	(377,862)	(377,862)
Net assets as at 31st December, 2020	8,432,356	15,876	128,511	3,354,117	11,930,860

DISTRIBUTION STATEMENT

For the year ended 31st December, 2021

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

Notes:

- 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. The current policy of the REIT Manager is to distribute to Unitholders no less than 90% of Regal REIT's Total Distributable Income for each financial year. The amount of any distribution for the interim period of each financial year is at the discretion of the REIT Manager. The REIT Manager on this basis made an interim distribution of HK\$0.045 per Unit for the six months ended 30th June, 2021, resulting in a total amount of interim distribution of HK\$146.6 million.
- Pursuant to the Trust Deed, the REIT Manager determines the date (the "Record Date") in respect of each distribution period for the purpose of establishing Unitholder entitlements to distributions. The Record Date has been set as 18th May, 2022 in respect of the final distribution for the period from 1st July, 2021 to 31st December, 2021. The final distribution will be paid out to Unitholders on or about 26th May, 2022. The total amount of final distribution to be paid to Unitholders of HK\$133.5 million is arrived at based on the final distribution per Unit of HK\$0.041 and the number of Units expected to be in issue at the Record Date that are entitled to distributions. The total distributions to Unitholders for the year, being the total of the interim distribution of HK\$146.6 million and the final distribution of HK\$133.5 million, amounts to HK\$280.1 million or 90.1% of the Total Distributable Income for the year.
- The final distribution of HK\$0.041 per Unit for the period from 1st July, 2021 to 31st December, 2021, involving an amount of HK\$133.5 million, was resolved and declared by the REIT Manager on 31st March, 2022. Accordingly, the distribution is not reflected as a distribution payable in the consolidated financial statements and will be reflected in the consolidated financial statements for the year ending 31st December, 2022. The final distribution for the period from 1st July, 2020 to 31st December, 2020 of HK\$247.6 million is included in the amount of distributions paid during the year as reported in the consolidated financial statements.
- 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 and 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\$15.3 million (2020: HK\$11.1 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2021

	Notes	2021 HK\$'000	2020 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax and distributions to Unitholders		631,731	(2,222,407)
Adjustments for:			
Difference in accounting rental income and contractual cash rental income	5	4,538	971
Fair value changes on investment properties	12	(309,281)	2,748,023
Interest income		(297)	(1,208)
Finance costs - excluding distributions to Unitholders	8	151,419	220,609
Depreciation	11	7,710	8,267
		<u>485,820</u>	<u>754,255</u>
Decrease/(increase) in accounts receivable		(96)	421
Increase in prepayments, deposits and other receivables		(873)	(101)
Increase in amounts due from related companies		(1,061)	(310)
Increase/(decrease) in accounts payable		(28,696)	19,469
Increase/(decrease) in deposits received		(118)	67
Increase/(decrease) in amounts due to related companies		(560)	295
Decrease in other payables and accruals		(387)	(6,482)
Increase/(decrease) in contract liabilities		63	(15)
		<u>454,092</u>	<u>767,599</u>
Cash generated from operations		454,092	767,599
Interest received		306	1,308
Interest paid		(125,661)	(212,318)
Hong Kong profits tax paid		(24,440)	(78,518)
		<u>304,297</u>	<u>478,071</u>
Net cash flows from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(54)	(219)
Additions to investment properties		(10,719)	(60,023)
Principal portion of finance lease received		10,133	9,985
Decrease/(increase) in restricted cash		(3,460)	4,285
Decrease/(increase) in time deposit with an original maturity of more than three months		1,333	(11,333)
		<u>1,333</u>	<u>(11,333)</u>
Net cash flows used in investing activities		(2,767)	(57,305)

	Notes	2021 HK\$'000	2020 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank borrowings, net of debt establishment costs		4,823,500	344,411
Repayment of bank borrowings		(4,902,000)	(248,000)
Principal portion of lease payments		(10,133)	(9,985)
Distributions paid		(394,149)	(377,862)
Increase in restricted cash		(7,280)	(16,801)
Net cash flows used in financing activities		(490,062)	(308,237)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(188,532)	112,529
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		232,684	120,155
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		44,152	232,684
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	17	54,152	244,017
Non-pledged time deposit with an original maturity of more than three months	17	(10,000)	(11,333)
Cash and cash equivalents as stated in the consolidated statement of cash flows		44,152	232,684

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 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 Hong Kong 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.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. In addition, these consolidated financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code. The consolidated financial statements have been prepared under the historical cost convention, except for property, plant and equipment and investment properties which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars, the functional currency of Regal REIT, and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31st December, 2021, the Group's current liabilities exceeded its current assets by HK\$156,473,000 (2020: HK\$4,503,039,000). The net current liabilities position was mainly due to the revolving loans of HK\$248,000,000 all classified under current liabilities as at the end of the reporting period. Taking into account the stable operating cash inflows to be generated from rental income and the Group's unutilised revolving loan facilities, the REIT Manager considers the Group has adequate resources to meet its liabilities, commitments and funding requirements as and when they fall due within one year from the end of the reporting period. Accordingly, the REIT Manager continues to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Regal REIT. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When Regal REIT has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as Regal REIT, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in other comprehensive income; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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</i> (early adopted)

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

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

As at 31st December, 2021, the Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR"). With HIBOR continues to exist, the Group expects the interest rate benchmark reform will not have any impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{2, 5}
Amendments to HKFRS 17	<i>Initial Application to HKFRS 17 and HKFRS 9 – Comparative Information</i> ²
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{2, 4}
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ¹
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i> ¹
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after 1st January, 2022

² Effective for annual periods beginning on or after 1st January, 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1st January, 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1st January, 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1st January, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1st January, 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

HKFRS 9 *Financial Instruments* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1st January, 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unitholders' funds

In accordance with the Trust Deed, Regal REIT has a limited life of eighty years less one day from the date of its commencement, and it is required to distribute to the Unitholders no less than 90% of its Total Distributable Income for each financial year. Accordingly, Regal REIT has contractual obligations to the Unitholders to pay cash dividends and also, upon the termination of Regal REIT, a share of all net cash proceeds derived from the sale or realisation of the assets of Regal REIT less any liabilities, in accordance with the proportionate interests of the Unitholders in Regal REIT at the date of its termination. The Unitholders' funds are, therefore, classified as financial liabilities in accordance with HKAS 32 *Financial Instruments: Presentation*.

Fair value measurement

The Group measures its property, plant and equipment and investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The policies and procedures for both recurring fair value measurement, such as investment properties and property, plant and equipment, and non-recurring measurement are determined by the Trust Deed. The REIT Manager shall select and recommend one or more property valuers to the Trustee and the Trustee shall, subject to the provisions in the Trust Deed and the REIT Code, on the written instructions of the REIT Manager, appoint a property valuer recommended by the REIT Manager for the valuation of the Group's properties.

The REIT Manager has discussions with the external valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at valuation less accumulated depreciation and any impairment losses. The initial cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated statement of profit or loss. Any subsequent revaluation surplus is credited to the consolidated statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for hotel properties are over the lease term (for land) and over the shorter of the lease term and 2.5% (for buildings together with furniture, fixtures and equipment).

Where parts of an item of property, plant and equipment have different useful lives, the cost of such items are allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair values, which reflect market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures such financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12 month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated as credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Subsequent measurement of financial liabilities at amortised cost (loans and borrowings and payables)

After initial recognition, interest-bearing loans and borrowings and payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is recognised in the consolidated statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in net assets.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable future taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent it has become probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments, and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Revenue recognition

Revenue from leases

Rental income is recognised on the following bases:

- (a) Base Rent from operating leases, on the straight-line basis over the terms of the relevant leases;
- (b) Variable Rent, in the accounting period in accordance with the terms of the respective agreements; and
- (c) other rental income, on a time proportion basis over the lease terms.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue from hotel operations comprises of the provision of room and ancillary services and is recognised over time in the accounting period in which the services are rendered.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Foreign currency transactions

These consolidated financial statements are presented in Hong Kong dollars, which is Regal REIT's functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair values of investment properties and property, plant and equipment

The fair value of each investment property and item of property, plant and equipment is individually determined at the end of each reporting period by an independent valuer based on a market value assessment. The valuer has relied on the income approach – discounted cash flow analysis as its primary method supported by the direct comparison approach. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy or occupancy, and cash flow profile. The discounted cash flow projections of each investment property and item of property, plant and equipment are based on reliable estimates of expected future cash flows, supported by the terms of any existing leases, other contracts, projection of hotel operating income and (when possible) by external evidence, and using discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows. In respect of the leases of each investment property and item of property, plant and equipment, due consideration has also been given to the expectation of the renewal of the leases with the Government of the Hong Kong Special Administrative Region upon expiry without paying any land premiums, which is a widely accepted practice used in the property market, and is widely accepted by other real estate investment trusts in Hong Kong.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the carryforward of unused tax losses can be utilised. Recognition of deferred tax primarily involves judgements and estimations regarding the future performance of the Group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portions or all of the deferred tax assets will ultimately be realised, such as tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amounts of deferred tax assets and related taxable profit projections are reviewed at the end of each reporting period.

Provision for expected credit losses on accounts receivable

The Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The financial impact of ECLs for accounts receivable under HKFRS 9 was insignificant for the year ended 31st December, 2021. The information about the Group's accounts receivable is disclosed in note 14 to the consolidated financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease and, therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable input when available and is required to make certain entity-specific estimates.

4. OPERATING SEGMENT INFORMATION

Operating segments of the Group are identified on the basis of internal reports covering the components of the Group which are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to segments and assess their performance. Information reported to the Group's chief operating decision-maker, for the above-mentioned purposes, is mainly focused on the segment results related to the nature of properties, namely, the hotel properties and the mixed use property. For management purposes, the two reportable operating segments are (i) the hotel properties segment which invested in the Initial Hotels, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub Ma Tau Wai Hotel; and (ii) the mixed use property segment which invested in the iclub Wan Chai Hotel and is made up of the hotel portion and non-hotel portions.

The operating segments of the Group for the year ended 31st December, 2021 are as follows:

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

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

	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Segment revenue			
Gross rental revenue	855,434	5,001	860,435
Gross hotel revenue	—	10,963	10,963
Total	855,434	15,964	871,398
Segment results			
	852,652	5,447	858,099
Fair value changes on investment properties	(2,719,023)	(29,000)	(2,748,023)
Depreciation	—	(8,267)	(8,267)
Interest income			1,208
REIT Manager fees			(93,885)
Trust, professional and other expenses			(10,930)
Finance costs – excluding distributions to Unitholders			(220,609)
			(2,222,407)
Loss before tax and distributions to Unitholders			(2,222,407)

Segment assets and liabilities

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

As at 31st December, 2021, the Group's segment assets, comprised of the aggregate fair values of the investment properties and property, plant and equipment in the hotel properties segment and the mixed use property segment, amounted to HK\$21,957,000,000 (2020: HK\$21,644,000,000) and HK\$767,000,000 (2020: HK\$728,000,000), respectively.

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

Other segment information

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

	Year ended 31st December, 2020		
	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Capital expenditures	<u>56,473</u>	<u>219</u>	<u>56,692</u>

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

Information about a major customer

For the year ended 31st December, 2021, revenue of HK\$575,279,000 (2020: HK\$855,434,000) was derived from the lease of hotel properties to a single lessee which is a related company.

Geographical information

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

5. NET RENTAL AND HOTEL INCOME

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

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

Notes:

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

	2021	2020
	HK\$'000	HK\$'000
Base Rent	460,000	710,000
Variable Rent	—	—
	460,000	710,000

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

	2021	2020
	HK\$'000	HK\$'000
Base Rent	26,000	41,000
Variable Rent	—	—
	26,000	41,000

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

	2021	2020
	HK\$'000	HK\$'000
Base Rent	26,000	41,000
Variable Rent	—	—
	26,000	41,000

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

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

(e) Gross hotel revenue is recognised over time.

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

6. REIT MANAGER FEES

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

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 year 2021, 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.

7. TRUST, PROFESSIONAL AND OTHER EXPENSES

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration:		
Audit fees	1,890	1,795
Non-audit fees	873	753
Legal and other professional fees	3,136	2,383
Trustee fees	3,548	3,522
Valuation fees	445	570
Other expenses	1,630	1,907
	11,522	10,930

Regal REIT did not appoint any directors and the Group did not engage any employees during the year (2020: Nil) and, accordingly, no director and employee benefit expenses were incurred during the year (2020: Nil).

8. FINANCE COSTS - EXCLUDING DISTRIBUTIONS TO UNITHOLDERS

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

9. INCOME TAX

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

	2021 HK\$'000	2020 HK\$'000
Charge for the year	30,426	53,253
Over provision in prior years	(100)	(27)
Deferred (note 22)	24,318	34,173
	<u>54,644</u>	<u>87,399</u>

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax and distributions to Unitholders at the Hong Kong statutory tax rate of 16.5% (2020: 16.5%) to the tax charge at the Group's effective tax rate is as follows:

	2021 HK\$'000	2020 HK\$'000
Profit/(Loss) before tax and distributions to Unitholders	<u>631,731</u>	<u>(2,222,407)</u>
Tax charge/(credit) at the statutory tax rate	104,236	(366,697)
Adjustments in respect of current tax of previous periods	(100)	(27)
Income not subject to tax	(51,037)	(106)
Expenses not deductible for tax	891	454,402
Others	654	(173)
	<u>54,644</u>	<u>87,399</u>

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

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

The diluted earnings/(loss) per Unit attributable to Unitholders is the same as the basic earnings/(loss) per Unit attributable to Unitholders as there were no dilutive instruments in issue during the year (2020: Nil).

11. 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)
	<hr/>
At 31st December, 2020 and 1st January, 2021	543,000
Additions	54
Surplus on revaluation	39,656
Depreciation provided during the year	(7,710)
	<hr/>
At 31st December, 2021	575,000

The Group's property, plant and equipment represents the value of land and building together with furniture, fixtures and equipment of iclub Wan Chai Hotel for the hotel portion. The REIT Manager has determined that the property, plant and equipment constitute a single class of asset (i.e. hotel property) based on the nature, characteristics and risks of the property. The property, plant and equipment was valued by Colliers International (Hong Kong) Limited ("Colliers"), an independent property valuer and the principal valuer of Regal REIT, at HK\$575,000,000 as at 31st December, 2021 (2020: HK\$543,000,000). A revaluation surplus of HK\$39,656,000 (2020: deficit of HK\$62,952,000) resulting from the valuation as at 31st December, 2021 has been credited to other comprehensive income (2020: charged to other comprehensive loss).

The property, plant and equipment is categorised as Level 3 in the fair value hierarchy (note 29).

The iclub Wan Chai Hotel has been pledged to secure banking facilities granted to the Group (note 21).

The carrying amount of the Group's property, plant and equipment would have been HK\$382,965,000 (2020: HK\$389,095,000) had such assets been stated in the consolidated financial statements at cost less accumulated depreciation.

Further particulars of the Group's hotel properties are included on page 187.

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

	Right-of-use assets HK\$'000	Authorised investments		Total HK\$'000
		Hotel properties HK\$'000	Commercial properties HK\$'000	
At 1st January, 2020	21,787	24,303,000	214,000	24,517,000
Derecognised during the year	(21,787)	—	—	—
Fair value changes	—	(2,719,023)	(29,000)	(2,748,023)
Capital expenditures for the year	—	56,473	—	56,473
Other addition	—	3,550	—	3,550
At 31st December, 2020 and 1st January, 2021	—	21,644,000	185,000	21,829,000
Fair value changes	—	302,281	7,000	309,281
Capital expenditures for the year	—	10,719	—	10,719
At 31st December, 2021	—	21,957,000	192,000	22,149,000

The 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 Colliers at HK\$22,149,000,000 as at 31st December, 2021 (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 20 to the consolidated financial statements.

The investment properties are categorised as Level 3 in the fair value hierarchy (note 29).

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 21).

Further particulars of the Group's investment properties are included on pages 186 to 187.

13. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Amounts receivable:				
Not later than one year	7,143	10,384	6,821	10,218
Later than one year and not later than five years	14,109	1,588	13,819	1,584
	21,252	11,972	20,640	11,802
Less: Unearned finance income	(612)	(170)		
	20,640	11,802		
Portion classified as current assets	(6,821)	(10,218)		
Non-current portion	13,819	1,584		

The effective interest rates of the finance lease of the premises as at 31st December, 2021 ranged from 1.86% to 2.45% (2020: 2.29% to 2.45%) per annum.

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

14. ACCOUNTS RECEIVABLE

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

The difference in accounting rental income and contractual cash rental income is recognised as revenue in the consolidated statement of profit or loss on the straight-line basis over the lease term in accordance with the Group's accounting policy.

The Group's accounts receivable as at the end of the reporting period, based on invoice dates, are aged as being within 3 months. No accounts receivable are past due at the end of the reporting period.

The general credit terms for other accounts receivable are 30 days. The Group seeks to maintain control over the outstanding receivables and to minimise any credit risk associated thereon.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Prepayments	1,455	592
Deposits and other receivables	5,475	5,474
	<u>6,930</u>	<u>6,066</u>

Deposits in the amount of HK\$1,212,000 (2020: HK\$1,212,000) were placed with a related company with respect to services provided to iclub Wan Chai Hotel. The amounts are unsecured, interest-free and repayable on demand.

16. 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.

17. CASH AND CASH EQUIVALENTS

	2021 HK\$'000	2020 HK\$'000
Cash and bank balances	44,152	232,684
Non-pledged time deposit with an original maturity of more than three months when acquired	10,000	11,333
Cash and cash equivalents	<u>54,152</u>	<u>244,017</u>

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.

18. ACCOUNTS PAYABLE

	2021 HK\$'000	2020 HK\$'000
Amounts due to related companies	31,811	60,471
Other accounts payable	294	330
	<u>32,105</u>	<u>60,801</u>

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

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

19. CONTRACT LIABILITIES

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

	2021 HK\$'000	2020 HK\$'000
Advances from customers	<u>440</u>	<u>377</u>

Contract liabilities included the advance receipts from customers under hotel operations.

20. LEASES

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 year are as follows:

	2021	2020
	HK\$'000	HK\$'000
Carrying amount at 1st January	11,802	21,787
Additions	18,971	—
Accretion of interest recognised during the year	250	398
Payments	(10,383)	(10,383)
	<u>20,640</u>	<u>11,802</u>
Carrying amount at 31st December	20,640	11,802
Analysed into:		
Current portion	6,821	10,218
Non-current portion	13,819	1,584
	<u>20,640</u>	<u>11,802</u>

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

	2021	2020
	HK\$'000	HK\$'000
Interest on lease liabilities	250	398
Expense relating to short-term leases (included in property and hotel operating expenses)	60	60
	<u>310</u>	<u>458</u>
Total amount recognised in profit or loss	310	458

(c) The total cash outflow for leases is HK\$10,443,000 (2020: HK\$10,443,000).

The Group as a lessor

The Group leases its investment properties (note 12) 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:

	2021	2020
	HK\$'000	HK\$'000
Within one year	586,113	592,580
After one year but within two years	8,285	49,851
After two years but within three years	6,554	1,730
After three years but within four years	954	–
	601,906	644,161

21. INTEREST-BEARING BANK BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Interest-bearing bank borrowings	10,066,000	10,082,000
Debt establishment costs	(73,956)	(33,280)
	9,992,044	10,048,720
Portion classified as current liabilities	(248,000)	(4,756,330)
Non-current portion	9,744,044	5,292,390
Amounts repayable:		
Within one year	248,000	4,756,330
In the second year	4,898,946	—
In the third to fifth years, inclusive	4,845,098	5,292,390
	9,992,044	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"). On 10th August, 2021, a new 5-year financing facility comprised of a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$500.0 million (the "2021 IH Facilities") was concluded. The new term loan facility was applied to repay the previous term loan facility in the same principal amount that matured in September 2021. The new revolving loan facility is reserved for general corporate funding purposes. The 2021 IH Facilities 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 31st December, 2021, the 2021 IH Facilities had outstanding amount of HK\$4,590.0 million, representing the full amount of the term loan facility and an amount of HK\$90.0 million under the revolving loan facility.

On 8th March, 2018, Regal REIT, through a wholly-owned subsidiary, 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 31st December, 2021, the outstanding amount of the 2018 RKH Facility was HK\$3,000.0 million, representing the full amount of the term loan facility.

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, its principal amount was revised to HK\$405.0 million for purpose of compliance with an undertaking in the facility agreement. As at 31st December, 2021, the outstanding facility amount of the 2019 WC Facility was HK\$405.0 million.

On 19th October, 2018, Regal REIT, through a wholly-owned subsidiary, 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 have a term of five years to October 2023. As at 31st December, 2021, the utilised amount of the 2018 SW Facilities was HK\$790.0 million, representing the full amount of the term loan facility and a revolving loan amount of HK\$158.0 million.

On 29th November, 2018, Regal REIT, through a wholly-owned subsidiary, 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 have a term of five years to November 2023. As at 31st December, 2021, the outstanding amount of the 2018 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

On 4th September, 2017, Regal REIT, through a wholly-owned subsidiary, 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 2017 MTW Facility agreement was entered into to amend the principal loan amount to HK\$621.0 million (the "2020 MTW Facility"), for a new term of three years to September 2023. As at 31st December, 2021, the outstanding amount of the 2020 MTW Facility was HK\$621.0 million, representing the full amount of the term loan facility.

As at 31st December, 2021, the outstanding loan facilities bore interest at the Hong Kong Interbank Offered Rate plus an interest ranging from 0.92% per annum to 1.80% per annum (2020: ranging from 0.92% per annum to 1.20% per annum).

Bank borrowings under the 2021 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.

22. DEFERRED TAX

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

	Fair value adjustments arising from revaluation of property, plant and equipment HK\$'000	Depreciation allowances in excess of related depreciation HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Total HK\$'000
Gross deferred tax assets/(liabilities) at 1st January, 2020	(36,102)	(593,450)	10,294	(619,258)
Deferred tax credited to other comprehensive loss during the year	10,387	—	—	10,387
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 9)	320	(32,718)	(1,775)	(34,173)
Gross deferred tax assets/(liabilities) at 31st December, 2020	<u>(25,395)</u>	<u>(626,168)</u>	<u>8,519</u>	<u>(643,044)</u>
Gross deferred tax assets/(liabilities) at 1st January, 2021	(25,395)	(626,168)	8,519	(643,044)
Deferred tax charged to other comprehensive income during the year	(6,543)	—	—	(6,543)
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year (note 9)	<u>252</u>	<u>(24,060)</u>	<u>(510)</u>	<u>(24,318)</u>
Gross deferred tax assets/(liabilities) at 31st December, 2021	<u>(31,686)</u>	<u>(650,228)</u>	<u>8,009</u>	<u>(673,905)</u>

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

23. NUMBER OF UNITS IN ISSUE

	Number of Units	
	2021	2020
At beginning and end of the year	<u>3,257,431,189</u>	<u>3,257,431,189</u>

24. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per Unit attributable to Unitholders is calculated by dividing the net assets attributable to Unitholders as at 31st December, 2021 of HK\$12,146,911,000 (2020: HK\$11,930,860,000) by the number of Units in issue of 3,257,431,189 (2020: 3,257,431,189) as at that date.

25. NOTE TO THE 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 changes:		
Amortisation of debt establishment costs	—	20,876
At 31st December, 2020 and at 1st January, 2021	11,802	10,048,720
Changes from financing cash flows	(10,133)	(78,500)
Non-cash change:		
Additions	18,971	—
Amortisation of debt establishment costs	—	21,824
At 31st December, 2021	<u>20,640</u>	<u>9,992,044</u>

26. COMMITMENTS

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

	2021 HK\$'000	2020 HK\$'000
Authorised, but not contracted for	<u>76,000</u>	<u>75,030</u>

27. CONNECTED AND RELATED PARTY TRANSACTIONS

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

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	2021 HK\$'000	2020 HK\$'000
Contractual rental income received/receivable from the RHIHL Group	(i)	590,200	866,788
Rental income received/receivable from the RHIHL Group	(ii)	1,732	1,737
Hotel management fees charged by the RHIHL Group	(iii)	(307)	(279)
Marketing fees charged by the RHIHL Group	(iv)	(125)	(110)
Building management fees charged by the PHL Group	(v)	(632)	(632)
REIT Manager fees	(vi)	(86,112)	(93,885)
Trustee fees	(vii)	(3,548)	(3,522)
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 6 to the 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 at 31st December with connected/related parties were as follows:

	Notes	2021 HK\$'000	2020 HK\$'000
Net amounts due from/(to) the RHIHL Group:			
Accounts payable to related companies	(i)	(31,811)	(60,470)
Deposit received	(iii)	(433)	(433)
Amounts due from related companies	(i)	1,419	358
Amounts due to related companies	(i)	(401)	(961)
Net amounts due from the PHL Group:			
Deposits paid	(i)	1,212	1,212
Net amounts due to:			
The Trustee	(ii)	(927)	(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 a 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.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2021 HK\$'000	2020 HK\$'000
Accounts receivable	4,919	9,361
Financial assets included in prepayments, deposits and other receivables	5,475	5,474
Due from related companies	1,419	358
Finance lease receivables	20,640	11,802
Restricted cash	99,233	88,493
Cash and cash equivalents	54,152	244,017
	185,838	359,505

Financial liabilities

	Financial liabilities at amortised cost	
	2021 HK\$'000	2020 HK\$'000
Accounts payable	32,105	60,801
Deposits received	2,875	2,993
Due to related companies	401	961
Other payables and accruals	25,036	21,489
Contract liabilities	440	377
Interest-bearing bank borrowings	9,992,044	10,048,720
Lease liabilities	20,640	11,802
	10,073,541	10,147,143

29. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities represent the amounts for which the instruments that could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's non-financial assets:

Assets measured at fair value:

As at 31st December, 2021

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Property, plant and equipment	—	—	575,000	575,000
Investment properties	—	—	22,149,000	22,149,000
	—	—	22,724,000	22,724,000

As at 31st December, 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Property, plant and equipment	—	—	543,000	543,000
Investment properties	—	—	21,829,000	21,829,000
	—	—	22,372,000	22,372,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

The income approach - discounted cash flow analysis was used for the valuation of property, plant and equipment and investment properties, with the following key inputs:

(a) Property, plant and equipment

	Range 2021	Range 2020
Significant unobservable inputs		
Capitalisation rate	3.00%	3.00%
Discount rate	6.00%	6.00%
Growth rate p.a. (Approximately)	2.7% to 85.5%	2.7% to 57.8%
Occupancy rate	80% to 92%	70% to 95%
Room rate per day (Approximately)	HK\$500 to HK\$1,500	HK\$700 to HK\$1,300
Gross operating profit (as a % of revenue) (Approximately)	12% to 56%	24% to 58%

(b) Investment properties

	Range 2021	Range 2020
Significant unobservable inputs	Asset Class	
Capitalisation rate	Hotel and commercial	2.50% to 3.25%
Discount rate	Hotel and commercial	5.50% to 6.88%
Growth rate p.a. (Approximately)	Hotel	2.7% to 103.5%
Occupancy rate	Hotel	50% to 96%
Room rate per day (Approximately)	Hotel	HK\$500 to HK\$1,800
Gross operating profit (as a % of revenue) (Approximately)	Hotel	5% to 64%
Estimated rental p.a. (Approximately)	Commercial	HK\$6,900,000 to HK\$7,800,000

Under the income approach - discounted cash flow analysis, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewals and related relettings, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less operating expenses, the FF&E Reserve, building insurance, government rates and rent, base management fees and incentive fees. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated rent, the room rate per day, the occupancy rate and the growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the hotel properties. A significant increase/(decrease) in the capitalisation rate and the discount rate in isolation would result in a significant (decrease)/increase in the fair value of the hotel properties. Generally, a change in the assumption made for the room rate per day is accompanied by a directionally similar change in the growth rate per annum and the discount rate.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The REIT Manager reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. Interest rate risk is managed by the REIT Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

For Hong Kong dollar borrowings, assuming the amount of bank borrowings outstanding at the end of the reporting period was outstanding for the whole year, a 100 basis point increase in interest rates would have hypothetically decreased the Group's profit before tax and distributions to Unitholders for the current year by HK\$100.7 million (2020: increased the Group's loss before tax and distributions to Unitholders by HK\$100.8 million). A 10 basis point decrease in interest rates would have hypothetically increased the Group's profit before tax and distributions to Unitholders for the current year by HK\$10.1 million (2020: decreased the Group's loss before tax and distributions to Unitholders by HK\$10.1 million).

The sensitivity to the interest rates used above is considered reasonable with the other variables held constant.

Credit risk

Credit risk is the potential financial loss which could result from the failure of a tenant or counterparty to settle its financial and contractual obligations to the Group as and when they fall due. The REIT Manager monitors the balances of its lessees on an ongoing basis. Currently, all the investment properties held by the Group are leased to lessees. Cash and fixed deposits are placed with authorised institutions which are regulated. Transactions involving financial instruments are carried out only with authorised institutions with sound credit ratings.

The Group applies the simplified approach for ECLs on accounts receivable. For financial assets included in prepayments, deposits and other receivables, amounts due from related companies, restricted cash, and cash and cash equivalents, they are classified within stage 1 for measurement of ECLs.

The maximum exposure to credit risk is the carrying amounts of such financial assets on the consolidated statement of financial position.

Liquidity risk

The REIT Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. In addition, the REIT Manager observes the REIT Code issued by the SFC concerning limits on total borrowings and monitors the level of borrowings of Regal REIT so that it is within the permitted limits.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2021			Total HK\$'000
	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	
Accounts payable	31,811	294	—	32,105
Deposits received	—	208	2,667	2,875
Due to related companies	—	401	—	401
Other payables and accruals	—	25,036	—	25,036
Contract liabilities	—	440	—	440
Interest-bearing bank borrowings	—	401,771	10,175,403	10,577,174
Lease liabilities	—	7,143	14,109	21,252
	<u>31,811</u>	<u>435,293</u>	<u>10,192,179</u>	<u>10,659,283</u>

	2020			Total HK\$'000
	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	
Accounts payable	60,471	330	—	60,801
Deposits received	—	326	2,667	2,993
Due to related companies	—	961	—	961
Other payables and accruals	—	21,489	—	21,489
Contract liabilities	—	377	—	377
Interest-bearing bank borrowings	—	4,873,558	5,418,630	10,292,188
Lease liabilities	—	10,383	1,589	11,972
	<u>60,471</u>	<u>4,907,424</u>	<u>5,422,886</u>	<u>10,390,781</u>

Capital management

The objective of the Group is to employ a growth-oriented capital structure to maximise cash flows while maintaining flexibility in funding any future acquisitions. The Group's excess borrowing capacity will be utilised to meet funding requirements relating to acquisitions of properties, as well as capital expenditures for the enhancement of the properties held by the Group.

The Group also adopts a prudent capital management policy to ensure that the leverage ratio will not exceed the threshold percentage under the REIT Code and relevant provisions in the banking facility agreements.

The Group monitors the capital management position using the loan-to-value ratio and the gearing ratio. At the end of the reporting period, the loan-to-value ratios in connection with certain utilised banking facilities ranged from 40.4% to 55.8% (2020: ranged from 44.4% to 57.5%), which were below the thresholds as allowed under the respective banking facility agreements.

At the end of the reporting period, the gearing ratio of Regal REIT was 43.9% (2020: 44.3%), being the gross amount of the outstanding loans aggregating HK\$10,066.0 million (2020: HK\$10,082.0 million), as compared to the total gross assets of Regal REIT of HK\$22,912.5 million (2020: HK\$22,735.1 million). For details of the gross amount of the outstanding loans, refer to note 21 to the financial statements. The gearing ratio is below the maximum 50% permitted under the amended REIT Code which became effective on 4th December, 2020.

31. SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Group	Principal activities
Bauhinia Hotels Limited	Hong Kong	HK\$2	100	Hotel ownership
Cityability Limited	Hong Kong	HK\$10,000	100	Hotel ownership
Gala Hotels Limited	Hong Kong	HK\$2	100	Hotel ownership
Regal Asset Holdings Limited	Bermuda/Hong Kong	US\$12,000	100	Investment holding
Regal Riverside Hotel Limited	Hong Kong	HK\$2	100	Hotel ownership
Rich Day Investments Limited	Hong Kong	HK\$1	100	Financing
Ricobem Limited	Hong Kong	HK\$100,000	100	Hotel ownership
Sonnix Limited	Hong Kong	HK\$2	100	Property ownership
R-REIT International Finance Limited	British Virgin Islands	US\$1	100	Financing
Tristan Limited	Hong Kong	HK\$20	100	Hotel ownership
Wise Decade Investments Limited	Hong Kong	HK\$1	100	Hotel ownership
Land Crown International Limited	Hong Kong	HK\$1	100	Hotel ownership

The above table lists the subsidiaries of Regal REIT which, in the opinion of the REIT Manager, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the REIT Manager, result in particulars of excessive length.

INDEPENDENT AUDITOR'S REPORT



To the Unitholders of 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))

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Regal Real Estate Investment Trust ("Regal REIT") and its subsidiaries (the "Group") set out on pages 66 to 119, which comprise the consolidated statement of financial position as at 31st December, 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets attributable to unitholders, the consolidated statement of cash flows and the distribution statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31st December, 2021, and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<i>Valuations of investment properties and property, plant and equipment</i>	
<p>As at 31st December, 2021, the Group's investment properties and property, plant and equipment were valued at approximately HK\$22.1 billion and HK\$0.6 billion, respectively, which made up, in aggregate, 99.2% of the Group's total assets. The Group engaged an external valuer to perform the property valuations for the investment properties and property, plant and equipment on a half-yearly basis. The valuation process was inherently subjective and dependent on a number of assumptions and estimates.</p> <p>The Group's accounting policies and disclosures for the valuations of investment properties and property, plant and equipment are set out in notes 2.4, 3, 11, 12 and 29 to the consolidated financial statements.</p>	<p>With the assistance from our internal valuation specialists, we evaluated the valuation methodology used and the underlying assumptions in connection with the valuations of investment properties and property, plant and equipment of the Group as at 31st December, 2021. The valuations were based on, among others, assumptions on capitalisation rates, discount rates, terminal growth rates, occupancy rates, daily room rates, gross operating profits and estimated annual rentals.</p> <p>We evaluated the competence, capabilities and independence of the external valuer commissioned by the Group. We also assessed the adequacy of disclosures of the valuations of investment properties and property, plant and equipment in the consolidated financial statements.</p>

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The manager of Regal REIT (the "REIT Manager") is responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE REIT MANAGER FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The REIT Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the REIT Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the REIT Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the REIT Manager either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

In addition, the REIT Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the trust deed dated 11th December, 2006 (as amended and restated by the first amending and restating deed dated 23rd March, 2021) constituting Regal REIT (the "Trust Deed") and the relevant disclosure provisions of Appendix C of the REIT Code.

The REIT Manager is assisted by the Audit Committee of the REIT Manager in discharging its responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.


In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager.
- Conclude on the appropriateness of the REIT Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the REIT Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the REIT Manager with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with the Audit Committee of the REIT Manager, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON MATTERS UNDER THE RELEVANT PROVISIONS OF THE TRUST DEED AND THE RELEVANT DISCLOSURE PROVISIONS OF APPENDIX C OF THE REIT CODE

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Leung Chi Ying.

Ernst & Young

Certified Public Accountants

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979 King's Road
Quarry Bay, Hong Kong

31st March, 2022

As at 31st December, 2021

	Notes	Year ended 31st December, 2021	Year ended 31st December, 2020	Year ended 31st December, 2019	Year ended 31st December, 2018	Year ended 31st December, 2017
Net assets attributable to Unitholders (HK\$'million)		12,146.9	11,930.9	14,671.1	17,314.5	15,484.7
Net asset value per Unit attributable to Unitholders (HK\$)		3.729	3.663	4.504	5.315	4.754
The highest traded price during the year (HK\$)	1	1.78	2.01	2.52	2.47	2.45
The lowest traded price during the year (HK\$)		1.28	1.11	1.72	2.14	2.05
The highest discount of the traded price to net asset value per Unit attributable to Unitholders		65.67%	69.70%	61.81%	59.74%	56.88%
Distribution yield per Unit	2	6.01%	9.93%	6.14%	6.73%	6.04%

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 on the traded price to net asset value per Unit attributable to Unitholders is presented.
2. Distribution yield per Unit for the year ended 31st December, 2021 is calculated by dividing the total distributions per Unit of HK\$0.086 over the Unit closing price of HK\$1.43 on the last trading day of 2021. Details of the total distributions per Unit is set out in the section "Distribution Statement" on page 71.

TRUSTEE'S REPORT

TO THE UNITHOLDERS OF 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))

We hereby confirm that, in our opinion, the Manager of Regal Real Estate Investment Trust ("Regal REIT") has, in all material respects, managed Regal REIT in accordance with the provisions of the Trust Deed dated 11 December 2006 (as amended from time to time) for the period from 1 January 2021 to 31 December 2021.

DB Trustees (Hong Kong) Limited

(in its capacity as trustee of Regal REIT)

Hong Kong, 15 March 2022



Regal Portfolio Management Limited

(as the Manager of Regal Real Estate Investment Trust (“Regal REIT”))
Unit No. 2001, 20/F,
68 Yee Wo Street,
Causeway Bay, Hong Kong

Colliers International (Hong Kong) Ltd
Suite 5701
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

and

DB Trustees (Hong Kong) Limited

(as the Trustee of Regal REIT)
Level 60,
International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

T: (852) 2822 0525
F: (852) 2107 6017

EA LICENCE: C-006052

28 February 2022

Dear Sir/Madam,

Re: Valuation of Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, Regal Riverside Hotel, iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub Ma Tau Wai Hotel in Hong Kong (collectively the “Properties”)

Terms of Engagement

We refer to our terms of engagement requiring us to conduct a valuation of the Properties in which Regal REIT have interests in Hong Kong, for annual reporting purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Values of the Properties, as at 31 December 2021.

Valuation Standards

The valuations have been carried out in accordance with *The HKIS Valuation Standards (2020 Edition)* published by The Hong Kong Institute of Surveyors; and in compliance with the requirements contained in Chapter 5 of the *Rules Governing the Listing of Securities* issued by The Stock Exchange of Hong Kong Limited; and Chapter 6.8 of the Code on Real Estate Investment Trusts issued by The Securities and Futures Commission in December 2020.

Valuer's Interest

We hereby confirm that:

- We have no present or prospective interest in the Properties and are not a related corporation of nor have a relationship with the Manager and the Trustee.
- We are authorised to practice as valuer and have the necessary expertise and experience in valuing similar types of properties.
- The valuations have been prepared on a fair and unbiased basis.

Valuation Date

The valuation date is 31 December 2021. Due to possible changes in market forces and circumstances in relation to the Properties, the report can only be regarded as representing our opinion of the Properties' values as at the valuation date. We assume that the Properties are in the same conditions on the valuation date as the inspection date.

Valuation Basis

Our valuation is based on Market Value which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Valuers

The valuation has been prepared by Stella Ho, assisted by Candy Tsang. Stella is a Member of the Royal Institution of Chartered Surveyors (Membership No. 1178305), a Member of the Hong Kong Institute of Surveyors (Membership No. 3626) and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region. She is suitably qualified to carry out the valuation and has more than 20 years of experience in the real estate field and in valuing properties of this magnitude and nature.

Candy is a Member of the Royal Institution of Chartered Surveyors (Membership no. 5605293) and an RICS Registered Valuer. She is suitably qualified to carry out the valuation and has more than ten years' experience in the real estate field and valuation of properties of this magnitude and nature.

Neither the valuers nor Colliers International (Hong Kong) Limited are aware of any pecuniary or other conflicts of interest that would affect their ability to give an unbiased and objective opinion of the value of the Properties.

Valuation Assumptions

Our valuations have been made on the assumption that the Properties can be sold on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, or any similar arrangements which would affect their values although they are subject to the existing management agreements and lease agreements.

No allowances have been made in our valuations for any charges, mortgages or amounts owing neither on the Properties nor for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from and clear of any charges, liens and encumbrances of an onerous nature likely to affect value.

We have made the following assumptions:

- All information on the Properties provided by the Manager is correct.
- Proper ownership titles of and relevant planning approvals for the Properties have been obtained, all payable land premiums, land-use rights fees and other relevant fees have been fully settled and the Properties can be freely transferred, sub-let, mortgaged or otherwise disposed of.
- We have been provided with the tenancy schedules, a standard Tenancy Agreement and a Licence Agreement by the Manager. We have not examined the lease documents for each specific tenancy and our assessment is based on the assumption that all leases are executed and are in accordance with the provisions stated in the tenancy schedules provided to us. Moreover, we assume that the tenancies are valid, binding and enforceable.
- Unless otherwise stated, we have not carried out any valuation on a redevelopment basis, nor the study of possible alternative options.
- No acquisition costs or disposal costs have been taken into account in the valuations.
- The Government Leases will be renewed upon expiry on normal terms.

Valuation Approaches and Methods

We have adopted the Income Approach – Discounted Cash Flow (“DCF”) Analysis in our valuations. This approach is defined in the International Valuation Standards as a financial modelling technique based on explicit assumptions regarding the prospective cash flows from income-generating properties. This analysis involves projecting a series of periodic cash flows for an income-generating property. To this projected cash flow series, an appropriate discount rate is applied to indicate the present value of the rental income stream associated with the property.

As the Properties are held for long-term investment, we have undertaken the DCF Analysis on an annual basis over a ten-year investment horizon which is a common market practice and a reasonable investment holding period for the Properties based on the prevailing property market in Hong Kong. This ten-year analysis allows the stabilisation of income over such a period and an investor or owner to assess the long-term return of the Properties taking into account capital growth.

In the case of our valuations of the Properties, the annual cash flows of the Properties are typically estimated as their gross income less operating expenses and other outgoings. The annual gross income over the ten-year period mainly included revenues generated from hotel rooms taking into account the projected annual occupancy rate and annual growth in daily room rate.

The series of periodic net cash flow, along with an estimate of the reversionary or terminal value anticipated at the end of the projection period, is then discounted by a discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value.

We have assumed that the Properties are sold at the commencement of the eleventh year of the cash flow. This is a common market practice to derive the capital value at the end of the investment period, and the net cash flow in the eleventh year has been capitalised by a terminal capitalisation rate to derive the capital value, which is discounted by the discount rate into present value, at the end of the tenth year.

This analysis has then been cross-checked by the Market Approach assuming sale of the Properties in their existing state and referring to comparable sale transactions as available in the relevant market. By analysing sale transactions that qualify as ‘arms-length’ transactions, between willing buyers and sellers, relevant adjustments are made when comparing such sale transactions against the Properties.

Inspections, Investigations and Sources of Information

An external and internal inspection of the Properties, befitting this valuation, was undertaken by Stella Ho on 7 January 2022. We have made enquiries and obtained such information we consider necessary to undertake the valuation.

Information has been obtained from various sources including the Manager, public domain and our own databases and has been verified as far as is reasonable. We have assumed all such information to be true and accurate for the purposes of this valuation.

No on-site measurements have been taken to verify the correctness of site areas. We have assumed that the site areas shown on the documents provided to us are correct.

No structural or environmental surveys have been carried out. Services and facilities have not been tested.

We have made enquiries and relevant searches at the Land Registry. However, we have not sighted the original documents and are therefore not aware of any possible amendments that are not shown on the documents available to us.

Currency

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong dollars (HKD).

Confidentiality and Non-Disclosure

This report and our valuations are for the use of the REIT Manager and the Trustee of Regal REIT and the report is for the use only of the parties to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of these valuations.

Colliers International (Hong Kong) Limited similarly undertakes to keep all information relating to this valuation report confidential and will not publish or refer to it without the prior written consent of the Manager.

Valuation Summary and Valuation Particulars are attached hereto and together with this covering letter form our valuation report.

Yours sincerely,
For and on behalf of

Colliers International (Hong Kong) Limited

Stella Ho

BSSc (Hons) MSc MRICS MHKIS RPS (GP) MCIREA

Registered Real Estate Appraiser PRC

Senior Director

Valuation and Advisory Services

VALUATION SUMMARY

No.	Property	Market Value in existing state as at 31 December 2021 (HKD)
1	Regal Airport Hotel 9 Cheong Tat Road Hong Kong International Airport Chek Lap Kok New Territories Hong Kong	1,970,000,000
2	Regal Hongkong Hotel 88 Yee Wo Street Causeway Bay Hong Kong	4,040,000,000
3	Regal Kowloon Hotel 71 Mody Road Tsim Sha Tsui Kowloon Hong Kong	5,480,000,000
4	Regal Oriental Hotel 30-38 Sa Po Road and Shops 3-11 on Ground Floor including Cockloft of Shops 5-7 and the whole of 1/F Po Shing Court 21-25 Shek Ku Lung Road 40-42 Sa Po Road and 15-29 Carpenter Road Kowloon City Kowloon Hong Kong	1,700,000,000
5	Regal Riverside Hotel 34-36 Tai Chung Kiu Road Shatin New Territories Hong Kong	4,660,000,000

No.	Property	Market Value in existing state as at 31 December 2021 (HKD)
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	767,000,000
7	iclub Sheung Wan Hotel 138 Bonham Strand Sheung Wan Hong Kong	1,416,000,000
8	iclub Fortress Hill Hotel 18 Merlin Street North Point Hong Kong	1,441,000,000
9	iclub Ma Tau Wai Hotel 8 Ha Heung Road Kowloon Hong Kong	1,250,000,000
Total:		22,724,000,000

Property 1

REGAL AIRPORT HOTEL

9 Cheong Tat Road
Hong Kong International Airport
Chek Lap Kok
New Territories, Hong Kong

Portion of the Remaining Portion of Chek Lap Kok Lot No. 1 and the Extension thereto

1. Property Description

Regal Airport Hotel (“RAH”) is a 14-storey (including a basement floor) High Tariff A hotel completed in 1999. There are currently 1,171 rooms and suites after the completion of an Asset Enhancement Programme in October 2007.

RAH is connected to the passenger terminal of the Hong Kong International Airport (“HKIA”) by an air-conditioned footbridge on the 2nd Floor near AsiaWorld Expo, a few minutes’ walk away. The immediate locality of RAH comprises mainly the airport’s support facilities, carpark, and passenger terminals.

Site Area	:	10,886 sq. m.
Gross Floor Area	:	71,988 sq. m.
Covered Floor Area	:	Approx. 83,400 sq. m.
Town Planning Zoning	:	“Commercial” zone under Draft Chek Lap Kok Outline Zoning Plan No. S/I-CLK/15 dated 31 December 2021.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
Standard Room	173	Spa Deluxe Room	14
Superior Room	324	Spa Cabana Room	5
Deluxe Room	45	Spa Suite	2
Prime Deluxe Room	105	Honeymoon Suite	1
Premier Room	66	Royal Suite	11
Cabana Room	17	Spa Duplex Suite	2
Family Triple Room	23	Deluxe Suite	15
Family Quadruple Room	199	Apartment Suite	9
Executive Club Floor Superior Room	68	Presidential Suite	1
Executive Club Floor Deluxe Room	91		
		Total	1,171

Notes: The room sizes range from 21 sq. m. to 318 sq. m.

Food and Beverage Outlets

Floor	Name of Outlet	Type of Facility	Seating Capacity (approx.)	
			Area (sq.m.)	No. of normal dining seating
G/F	Café Aficionado	International Buffet and Asian Specialities	869	384
G/F	The China Coast Bar + Grill	American Steakhouse	644	230
G/F	Dragon Inn	Shanghainese Cuisine	359	182
G/F	Airport Izakaya	Japanese Cuisine	236	100
1/F	Rouge	Cantonese Cuisine	504	260
2/F	Regala Café & Dessert Bar	Desserts and Drinks	326	94

Meeting and Banquet Facilities

Floor	Name of Function Room	Type of Facility	No. of Rooms	Seating Capacity (approx.)		
				Area (sq.m.)	No. of seating in Theatre/ Boardroom Style	Banquet Style
B/F	Pre-function Area and Meeting Rooms	Conference and Exhibition	13	1,645	490	372
1/F	Ballroom	Banquet/Convention	1	960	960	960
1/F	Multi-purpose Function Rooms	Meeting and Conference	7	490	403	264
2/F	Meeting Rooms	Meeting and Conference	3	94	38	N/A
9/F	Meeting Room	Meeting and Conference	1	60	40	N/A

Other Facilities

Other facilities include an outdoor and an indoor swimming pool, a health club with a gymnasium, massage and spa facilities, a children's playroom, a business centre and some retail spaces.

2. Ownership and Tenure

Lot Numbers	:	The Remaining Portion of Chek Lap Kok Lot No. 1 and the Extension thereto
Lease Terms	:	Held under New Grant No. IS7996 for a term commencing on 1 December 1995 and expiring on 30 June 2047, and has been extended for a term commencing on 1 July 2047 and expiring on 30 August 2071
Registered Owner	:	Airport Authority ¹
Major Encumbrances	:	<ul style="list-style-type: none"> Sub-Lease of Hotel in favour of Bauhinia Hotels Limited dated 12 August 2004, registered vide Memorial No. IS342341. The term of the Sub-Lease commenced from 31 December 2003 until the date occurring 25 years thereafter.

¹ The Hotel is sub-leased in favour of Bauhinia Hotels Limited for a term commencing from 31 December 2003 until the date occurring 25 years thereafter.

- Supplemental Lease (To Sub-Lease of Hotel Memorial No. IS342341) in favour of Bauhinia Hotels Limited dated 8 November 2006, registered vide Memorial No. 06112400700018.
- Lease Agreement (No. 1 for Regal Airport Hotel) in favour of Favour Link International Limited dated 16 March 2007, registered vide Memorial No. 07041300910065. (Remarks: By Bauhinia Hotels Limited from 30th Day of March 2007 to 31st Day of December 2015).
- First Supplemental Agreement amending Lease Agreement No. 1 for Regal Airport Hotel in favour of Favour Link International Limited dated 12 February 2010, registered vide Memorial No. 10052602510099. (Remarks: By Bauhinia Hotels Limited).
- G.N. 2762 dated 26.4.2012 under Roads (works, use and compensation) Ordinance (Chapter 370) dated 26 April 2012, registered vide Memorial No. 12051002590012. (Remarks: with plans No. ISM1731A-1 (re portion), re: PWP Item No. 834th Hong Kong-Zhuhai-Macao Bridge Hong Kong boundary crossing facilities).
- G.N. 2764 dated 26.4.2012 under Roads (works, use and compensation) Ordinance (Chapter 370) dated 26 April 2012, registered vide Memorial No. 12051002590024. (Remarks: with plan Nos. ISM1734B-I and ISM1732B-I (re portion) for creation of easements and other permanent rights and rights of temporary occupation of land. Re: PWP item No. 834th Hong Kong-Zhuhai-Macao Bridge Hong Kong boundary crossing facilities).
- G.N. 2761 dated 26.4.2012 under Roads (works, use and compensation) Ordinance (Chapter 370) dated 26 April 2012, registered vide Memorial No. 12051002590037. (Remarks: with plans No. ISM1741A (re portion), re: PWP item No. 844th Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road).
- G.N. 2763 dated 26.4.2012 under Roads (works, use and compensation) Ordinance (Chapter 370) dated 26 April 2012, registered vide Memorial No. 12051002590049. (Remarks: with plans nos. ISM1742A and ISM1757A for creation of easements and other permanent rights and rights of temporary occupation of land. Re: PWP item No. 844th Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road).
- G.N. 6022 dated 10.10.2013 under Roads (works, use and compensation) Ordinance (Chapter 370) with plan dated 10 October 2013, registered vide Memorial No. 13102500820010. (Remarks: re portion, re: PWP Item No. 834th Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities Creation of Rights of Temporary Occupation of Land).

- Consent Letter dated 19 November 2013, registered vide Memorial No. 13120201030063. (Remarks: from District Lands Officer, Islands).
- Second Supplemental Deed amending Lease Agreement No. 1 for Regal Airport Hotel in favour of Favour Link International Limited dated 12 March 2015, registered vide Memorial No. 15042302380228. (Remarks: By Bauhinia Hotels Limited).
- Consent Letter with plan date 6 November 2015, registered vide Memorial No. 15112001200210. (Remarks: from District Lands Officer, Islands).
- Consent Letter with Plan dated 23 February 2017, registered vide Memorial No. 17022300740027. (Remarks: from District Lands Officer, Islands).
- Third Supplemental Deed amending Lease Agreement No. 1 for Regal Airport Hotel in favour of Favour Link International Limited dated 20 December 2019, registered vide Memorial No. 20041601820093.
- Particulars and Conditions of Extension of Lease Term dated 31 August 2021, registered vide Memorial No. 21092102780018 (Remarks: For a term of years commencing on the 1st day of July 2047 and Expiring on the 30th day of August 2071).
- Mortgage and Assignment of Hang Seng Bank Limited Rights dated 10 September 2021, registered vide Memorial No. 21092902710345. (Remarks: by Bauhinia Hotels Limited).

3. Hotel Operation

Hotel Performance in 2021

Occupancy Rate	:	56%
Average Room Rate	:	HKD626

Lease Agreement

Lessor	:	Bauhinia Hotels Limited
Lessee	:	Favour Link International Limited
Term of Lease Agreement	:	Commencing from 30 March 2007 (the "Listing Date") and expiring on 27 December 2028 (both days inclusive)

Rental

From 2011 to 2028, the Market Rent² to be determined (the "Market Rental Package Determination") in accordance with the Lease Agreement, subject to a Floor Rent of HKD175,000,000 per annum out of a total Floor Rent of HKD400,000,000 for all five Initial Hotels³.

According to the 2021 and 2022 Market Rental Package Determinations, Base Rent for RAH for the fiscal years of 2021 and 2022 are HKD176,000,000 and HKD175,000,000 respectively; and the Variable Rent is 50% of the excess of the aggregate NPI of the five Initial Hotels over the aggregate Base Rent of the Initial Hotels for the respective years, which portion shall be the proportion by which the excess NPI of this hotel bears to the aggregate excess NPI of all the Initial Hotels.

Hotel Management Agreement ("HMA")

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	Twenty (20) years from the Listing Date
Base Fee	:	One percent (1%) of Gross Revenue ⁴ (for so long as the Lease Agreement is in subsistence); or Two percent (2%) of Gross Revenue (for other cases during the Operating Term)
Incentive Fee	:	One percent (1%) of the excess of the Adjusted GOP ⁵ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

² According to the Lease Agreement, the Market Rent to be determined includes the Base Rent, Variable Rent and the Lessee's contribution to the FF&E Reserve.

³ Namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel.

⁴ According to the Hotel Management Agreement, "Gross Revenue" means all revenue derived from the Hotel.

⁵ According to the Hotel Management Agreement, "Adjusted GOP" means the aggregate of Gross Operating Profit and Net Rental Income.

4. Retail Tenancy/Licence Schedules

Retail⁶

Retail Area (Lettable)	:	Approx. 38,030 sq. ft. (3,533 sq. m.)
Occupied Area (Lettable)	:	Approx. 38,030 sq. ft. (3,533 sq. m.)
Vacant Area (Lettable)	:	0 sq. ft. (0 sq. m.)
Occupancy Rate	:	100%
Monthly Base Rent	:	HKD2,141,761 (All tenancies except three are exclusive of rates, management fees and air-conditioning charges; the remaining tenancies are inclusive of management fees and air-conditioning charges, but exclusive of rates)

Tenancy Expiry Profile

Year	Lettable Area		Monthly Rent		No. of Tenancy	
	(sq.ft.)	% of Total	(HKD)	% of Total		% of Total
Monthly	—	—	—	—	—	—
Year Ending 2022	10,852	28.5%	471,653	22.0%	3	18.8%
Year Ending 2023	18,544	48.8%	1,183,626	55.3%	8	50.0%
Year Ending 2024	8,634	22.7%	486,482	22.7%	5	31.3%
Total	38,030	100% (rounded)	2,141,761	100% (rounded)	16	100% (rounded)

Tenancy Duration Profile

Tenancy Duration	Lettable Area		Monthly Rent		No. of Tenancy	
	(sq.ft.)	% of Total	(HKD)	% of Total		% of Total
Up to 1 Year	6,373	16.8%	254,453	11.9%	2	12.4%
More than 1 year and up to 2 years	17,363	45.7%	1,145,540	53.5%	7	43.8%
More than 2 year and up to 3 years	14,294	37.6%	741,768	34.6%	7	43.8%
Total	38,030	100% (rounded)	2,141,761	100% (rounded)	16	100% (rounded)

⁶ The areas quoted exclude spaces which are used by RAH.

Latest Expiry Date	:	13 September 2024
Range of Rent-free Period	:	0 to 10.5 months
Option to Renew	:	One of the tenancies have an option to renew for a further term of two years and one of the tenancies have an option to renew for a further term of three years.
Summary of Terms	:	The Landlord ⁷ is responsible for payment of Government Rent and the structural and external repairs while the Tenant is responsible for the internal repairs of the occupied area.

Licences for Mobile Phone Base Stations, Antennae, Signage Spaces and Poster Stand(s)

Number of Licences	:	5
Monthly Licence Fee	:	HKD212,523 per month
Latest Expiry Date	:	14 February 2022

5. Estimated Net Property Yield⁸

8.9%

6. Market Value in existing state as at 31 December 2021

HKD1,970,000,000 (Hong Kong Dollars One Billion Nine Hundred and Seventy Million)

⁷ All tenancy agreements/licences are entered into by Favour Link International Ltd as Landlord.

⁸ The Estimated Net Property Yield of RAH is derived from the rent receivable in 2021 divided by the Market Value.

Property 2

REGAL HONG KONG HOTEL

88 Yee Wo Street
Causeway Bay, Hong Kong

Sections C, D, E, F, G, H, I, J, L, M and the Remaining Portion of Inland Lot No. 1408

1. Property Description

Regal Hongkong Hotel ("RHK") is a 38-storey (including 4 basement floors) High Tariff A hotel completed in 1993, providing 481 rooms and suites. Most rooms command views of Victoria Park. RHK also comprises ancillary hotel spaces on the portions of Ground Floor to 3rd Floor of 68 Yee Wo Street⁹.

RHK is located in Causeway Bay, one of the major shopping areas in Hong Kong, where the immediate developments are predominately for retail and office uses.

Site Area	:	1,176 sq. m.
Gross Floor Area	:	25,090 sq. m. ¹⁰
Covered Floor Area	:	Approx. 32,000 sq. m. ¹¹
Town Planning Zoning	:	"Commercial" zone under Approved Causeway Bay Outline Zoning Plan No. S/H6/17 dated 18 January 2019.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
Standard Room	34	Executive Club Floor Deluxe Room	36
Superior Room	114	Executive Suite	20
Deluxe Room	101	Deluxe Suite	8
Prime Deluxe Room	18	Presidential Suite	1
Premier Room	6	Imperial Suite	1
Family Triple Room	115	Chairman Suite	1
Family Quadruple Room	12	Regal Royale Suite	2
Executive Club Floor Superior Room	12		
		Total	481

Notes: The room sizes range from 22 sq.m.to 154 sq. m.

⁹ The owner of RHK has also rented some spaces on G/F to 3/F of 68 Yee Wo Street. The first tenancy is related to hotel ancillary use of 10,510 sq.ft. (976 sq.m.) lettable area. The current monthly rent is HKD453,871 with expiration on 1 March 2025. The second tenancy is related to Shops No. 301 to 304 on the Third Floor with a lettable area of 3,437 sq.ft. (319 sq.m.). The term is three years commencing from 16 January 2022 with a monthly rent of HKD92,346.

¹⁰ Area excludes the rented space.

¹¹ Area excludes the rented space.

Food and Beverage Outlets

Floor	Name of Outlet	Type of Facility	Seating Capacity (approx.)	
			Area (sq.m.)	No. of normal dining seating
G/F	Tiffany Lounge	Snacks and Drinks	137	50
1/F	Café Rivoli	International Cuisine & Buffet	376	200
3/F	Regal Palace	Cantonese Cuisine	752	500
31/F	Alto 88	Italian Cuisine	214	120

Meeting and Banquet Facilities

Floor	Name of Function Room	Type of Facility	No. of Rooms	Seating Capacity (approx.)		
				Area (sq.m.)	No. of seating in Theatre/Boardroom Style	Banquet Style
2/B	Multi-purpose Function Rooms	Banquet/Convention	5	343	260	216
1/B	Ballroom	Banquet/Convention	1	239	239	228
1/B	Multi-purpose Function Rooms	Banquet/Convention	3	194	180	132
3/F	Meeting Rooms	Banquet/Convention	6	336	273	228

Other Facilities

Other facilities include a gymnasium and an outdoor swimming pool.

2. Ownership and Tenure

Lease Terms	:	The Inland Lot No. 1408 is held under a Government Lease for a term of 999 years commencing from 25 December 1884.
Registered Owner	:	Cityability Limited
Major Encumbrances	:	<ul style="list-style-type: none"> • Deed of Restrictive Covenant dated 13 May 1992, registered vide Memorial No. UB5287070. • Deed of Covenant and Grant of Right of Way and Easements and Management Agreement dated 13 May 1992, registered vide Memorial No. UB5287071. • Statutory Declaration as to Loss of Title Deeds dated 21 March 2000, registered vide Memorial No. UB8033163. • Lease Agreement (No. 2 for Regal Hongkong Hotel) in favour of Favour Link International Limited dated 16 March 2007, registered vide Memorial No. 07041300910073.

- First Supplemental Agreement amending Lease Agreement No. 2 for Regal Hongkong Hotel in favour of Favour Link International Limited dated 12 February 2010, registered vide Memorial No. 10052602510109.
- Second Supplemental Deed amending Lease Agreement No. 2 for Regal Hongkong Hotel in favour of Favour Link International Limited dated 12 March 2015, registered vide Memorial No. 15042302380234.
- Third Supplemental Deed amending Lease Agreement No. 2 for Regal Hongkong Hotel in favour of Favour Link International Limited dated 20 December 2019, registered vide Memorial No. 20041601820103.
- Cityability Debenture in favour of Hang Seng Bank Limited dated 10 September 2021, registered vide Memorial No. 21092902710364.

3. Hotel Operation

Hotel Performance in 2021

Occupancy Rate : 66%

Average Room Rate : HKD465

Lease Agreement

Lessor : Cityability Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from the Listing Date and expiring on 31 December 2030 (both days inclusive)

Rental

From 2011 to 2030, the Market Rent¹² to be determined (the "Market Rental Package Determination") in accordance with the Lease Agreement, subject to a Floor Rent of HKD60,000,000 per annum out of a total Floor Rent of HKD400,000,000 for all five Initial Hotels¹³.

According to the 2021 and 2022 Market Rental Package Determinations, Base Rent for RHK for the fiscal years of 2021 and 2022 are HKD61,000,000 and HKD66,000,000 respectively; and the Variable Rent is 50% of the excess of the aggregate NPI of the five Initial Hotels over the aggregate Base Rent of the Initial Hotels for the respective years, which portion shall be the proportion by which the excess NPI of this hotel bears to the aggregate excess NPI of all the Initial Hotels.

¹² According to the Lease Agreement, the Market Rent to be determined includes the Base Rent, Variable Rent and the Lessee's contribution to the FF&E Reserve.

¹³ Namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel.

Hotel Management Agreement (“HMA”)

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	Twenty (20) years from the Listing Date
Base Fee	:	One percent (1%) of Gross Revenue ¹⁴ (for so long as the Lease Agreement is in subsistence); or Two percent (2%) of Gross Revenue (for other cases during the Operating Term)
Incentive Fee	:	One percent (1%) of the excess of the Adjusted GOP ¹⁵ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

4. Licence Schedules

Licences for Installation of Mobile Radio Equipment and Integrated Radio System (“IRS”)

Number of Licences	:	3
Monthly Licence Fee	:	HKD194,400 per month
Latest Expiry Date	:	30 April 2023

5. Estimated Net Property Yield¹⁶

1.5%

6. Market Value in existing state as at 31 December 2021

HKD4,040,000,000 (Hong Kong Dollars Four Billion and Forty Million)

¹⁴ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

¹⁵ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

¹⁶ The Estimated Net Property Yield of RHK is derived from the rent receivable in 2021 divided by the Market Value.

Property 3

REGAL KOWLOON HOTEL

71 Mody Road
Tsim Sha Tsui, Kowloon, Hong Kong

Kowloon Inland Lot No. 10474

1. Property Description

Regal Kowloon Hotel ("RKH") is a 20-storey (including 4 basement floors) High Tariff A hotel completed in 1982. Most of the rooms command an open view of Centenary Garden. There are retail shops and restaurants from the Ground Floor to the 2nd Floor and 1st Basement to 3rd Basement.

RKH is located at Tsim Sha Tsui, a renowned commercial and tourist area. The immediate locality is predominately occupied by hotel, retail and office developments.

Site Area	:	2,560 sq. m.
Gross Floor Area	:	31,746 sq. m.
Covered Floor Area	:	Approx. 43,500 sq. m.
Town Planning Zoning	:	"Commercial" zone under Approved Tsim Sha Tsui Outline Zoning Plan No. S/K1/28 dated 13 December 2013.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
Standard Room	41	Executive Club Floor Deluxe Room	147
Superior Room	39	Executive Club Floor Premier Room	29
Deluxe Room	27	Executive Suite	12
Prime Deluxe Room	36	Royal Suite	10
Premier Room	144	Deluxe Suite	16
Executive Club Floor Superior Room	98	Presidential Suite	1
		Total	600

Notes: The room sizes range from 19 sq.m.to 140 sq. m.

Food and Beverage Outlets

Floor	Name of Outlet	Type of Facility	Seating Capacity (approx.)	
			Area (sq.m.)	No. of normal dining seating
1/B	Café Allegro	International Seafood Buffets	350	186
G/F	V Bar & Lounge ¹⁷	Snacks and Cocktails	89	56
1/F	Mezzo	American Italian Cuisine	199	90
2/F	Regal Court	Chinese Cuisine	673	266

Meeting and Banquet Facilities

Floor	Name of Function Room	Type of Facility	No. of Rooms	Seating Capacity (approx.)		
				Area (sq.m.)	No. of seating in Theatre/Boardroom Style	Banquet Style
2/F	Multi-purpose Function Rooms	Banquet/Convention	6	331	260	156
3/F	Ballroom	Banquet/Convention	1	353	353	360
3/F	Multi-purpose Function Rooms	Banquet/Convention	6	665	360	288

Other Facilities

Other facilities include a fitness room and a shopping arcade.

2. Ownership and Tenure

Lease Terms	:	The Kowloon Inland Lot No. 10474 is held by the Government under Conditions of Sale No. 10983 for a term of 75 years commencing from 28 December 1976 and renewable for a further term of 75 years.
Registered Owner	:	Ricobem Limited
Major Encumbrances	:	<ul style="list-style-type: none"> • Letter of Compliance from District Lands Office Kowloon West Kowloon Government Offices to Paliburg Project Management Limited dated 6 July 1982, registered vide Memorial No. UB3990407. • Statutory Declaration as to Loss of Title Deeds dated 21 March 2000, registered vide Memorial No. UB8033162. • Lease Agreement (No. 3 for Regal Kowloon Hotel) in favour of Favour Link International Limited dated 16 March 2007, registered vide Memorial No. 07041300910082. (Remarks: For the period commencing from 30 March 2007 to 31 December 2015).

¹⁷ Additional outdoor seating areas are provided on the G/F.

- First Supplemental Agreement amending Lease Agreement No. 3 for Regal Kowloon Hotel in favour of Favour Link International Limited dated 12 February 2010, registered vide Memorial No. 10052602510128.
- Second Supplemental Deed amending Lease Agreement No. 3 for Regal Kowloon Hotel in favour of Favour Link International Limited dated 12 March 2015, registered vide Memorial No. 15042302380241.
- Debenture and Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited dated 8 March 2018, registered vide Memorial No. 18032802410264.
- Third Supplemental Deed amending Lease Agreement No. 3 for Regal Kowloon Hotel in favour of Favour Link International Limited dated 20 December 2019, registered vide Memorial No. 20041601820111.

3. Hotel Operation

Hotel Performance in 2021

Occupancy Rate : 57%

Average Room Rate : HKD410

Lease Agreement

Lessor : Ricobem Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from the Listing Date and expiring on 31 December 2030 (both days inclusive)

Rental

From 2011 to 2030, the Market Rent¹⁸ to be determined (the "Market Rental Package Determination") in accordance with the Lease Agreement, subject to a Floor Rent of HKD65,000,000 per annum out of a total Floor Rent of HKD400,000,000 for all five Initial Hotels¹⁹.

According to the 2021 and 2022 Market Rental Package Determinations, Base Rent for RKH for the fiscal years of 2021 and 2022 are HKD93,000,000 and HKD96,000,000 respectively; and the Variable Rent is 50% of the excess of the aggregate NPI of the five Initial Hotels over the aggregate Base Rent of the Initial Hotels for the respective years, which portion shall be the proportion by which the excess NPI of this hotel bears to the aggregate excess NPI of all the Initial Hotels.

¹⁸ According to the Lease Agreement, the Market Rent to be determined includes the Base Rent, Variable Rent and the Lessee's contribution to the FF&E Reserve.

¹⁹ Namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel.

Hotel Management Agreement (“HMA”)

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	Twenty (20) years from the Listing Date
Base Fee	:	One percent (1%) of Gross Revenue ²⁰ (for so long as the Lease Agreement is in subsistence); or Two percent (2%) of Gross Revenue (for other cases during the Operating Term)
Incentive Fee	:	One percent (1%) of the excess of the Adjusted GOP ²¹ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

4. Retail Tenancy/Licence Schedules

Retail²²

Retail Area (Lettable)	:	Approx. 43,147 sq. ft. (4,008 sq. m.)
Occupied Area (Lettable)	:	Approx. 36,983 sq. ft. (3,436 sq. m.)
Vacant Area (Lettable)	:	Approx. 6,164 sq. ft. (572 sq. m.)
Occupancy Rate	:	85.7%
Monthly Base Rent	:	HKD1,599,345 (Six of the tenancies are exclusive of rates but inclusive of management fees and air-conditioning charges; the remaining tenancies are exclusive of management fees, air-conditioning charges and rates.)

Tenancy Expiry Profile

Year	Lettable Area		Monthly Rent		No. of	
	(sq.ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
Monthly	1,316	3.6%	84,755	5.3%	2	10.5%
Year Ending 2022	7,516	20.3%	386,954	24.2%	7	36.8%
Year Ending 2023	28,151	76.1%	1,127,636	70.5%	10	52.6%
Total	36,983	100% (rounded)	1,599,345	100% (rounded)	19	100% (rounded)

²⁰ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

²¹ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

²² The areas quoted exclude spaces which are used by RKH.

Tenancy Duration Profile

Tenancy Duration	Lettable Area		Monthly Rent		No. of	
	(sq.ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
Monthly	1,316	3.6%	84,755	5.3%	2	10.5%
Up to 1 year	2,771	7.5%	176,454	11.0%	4	21.1%
More than 1 year and up to 2 years	2,511	6.8%	115,500	7.2%	5	26.3%
More than 2 year and up to 3 years	30,385	82.2%	1,222,636	76.4%	8	42.1%
Total	36,983	100%	1,599,345	100%	19	100%
		(rounded)		(rounded)		(rounded)

Latest Expiry Date : 31 December 2023

Range of Rent-free Period : 0 to 5.5 months

Option to Renew : One of the tenancies have an option to renew for a further term of two years and three of the tenancies have an option to renew for a further term of three years.

Summary of Terms : The Landlord²³ is responsible for payment of Government Rent and the structural and external repairs while the Tenant is responsible for the internal repairs of the occupied area.

Licences for Mobile Phone Base Stations, Antennae, Signage Spaces and Poster Stand(s)

Number of Licences : 8

Monthly Licence Fee : HKD150,142 per month

Latest Expiry Date : 30 November 2023

5. Estimated Net Property Yield²⁴

1.7%

6. Market Value in existing state as at 31 December 2021

HKD5,480,000,000 (Hong Kong Dollars Five Billion Four Hundred and Eighty Million)

²³ All tenancy agreements/licences are entered into by Favour Link International Ltd as Landlord.

²⁴ The Estimated Net Property Yield of RKH is derived from the rent receivable in 2021 divided by the Market Value.

Property 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 Floor
Po Sing Court, 21-25 Shek Ku Lung Road, 40-42 Sa Po Road and 15-29 Carpenter Road
Kowloon City, Kowloon, Hong Kong**

New Kowloon Inland Lot No. 5754 and 41/180th undivided shares of and in New Kowloon Inland Lot No. 4917

1. Property Description

Regal Oriental Hotel ("ROH") is a 17-storey (including two basement floors) High Tariff B hotel completed in 1982. The hotel currently comprises 494 guestrooms and suites after the completion of the asset enhancement programme in 2007 and the conversion projects in 2013.

ROH also comprises nine shop units on the Ground Floor (with three units that have cocklofts), and the 1st Floor in an adjacent 14-storey building ("Po Sing Court") which was completed in 1967. The 1st Floor of Po Sing Court is for back-of-house uses.

ROH is located in Kowloon City and faces the former Hong Kong International Airport at Kai Tak Area, where a complex development project with a mix of community, housing, business and tourism uses is under construction.

Site Area	:	New Kowloon Inland Lot No. 5754 (Regal Oriental Hotel) – 1,797 sq. m. New Kowloon Inland Lot No. 4917 (Po Sing Court) – 741 sq. m.
Gross Floor Area	:	22,601 sq. m.
Covered Floor Area	:	Approx. 27,300 sq. m.
Town Planning Zoning	:	ROH falls within "Commercial" zone and Po Sing Court falls within "Residential (Group A) 2" zone under Draft Ma Tau Kok Outline Zoning Plan No. S/K10/27 dated 21 May 2021.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
Standard Room	55	Family Quadruple Room	32
Superior Room	114	Executive Club Floor Superior Room	55
Deluxe Room	22	Executive Club Floor Deluxe Room	45
Prime Deluxe Room	71	Executive Suite	14
Premier Room	23	Deluxe Suite	10
Family Triple Room	52	Presidential Suite	1
		Total	494

Notes: The room sizes range from 12 sq. m. to 105 sq. m.

Food and Beverage Outlets

Floor	Name of Outlet	Type of Facility	Seating Capacity (approx.)	
			Area (sq.m.)	No. of normal dining seating
1/B	Café Neo	International Cuisine & Buffet	536	298
G/F	The China Coast Pub + Restaurant ²⁵	Pub & Restaurant	155	72
G/F	Avanti Pizzeria	Italian Cuisine	185	90
G/F	Regal Patisserie	Cake & Dessert	29	20
G/F	Moon River	Local Authentic Cuisine	55	50
2/F	Regal Terrace	Cantonese Cuisine	427	300

Meeting and Banquet Facilities

Floor	Name of Function Room	Type of Facility	No. of Rooms	Seating Capacity (approx.)		
				Area (sq.m.)	Boardroom Style	No. of seating in Theatre/ Banquet Style
1/F	Ballroom	Banquet/Convention	1	345	250	300
1/F	Multi-purpose Function Rooms	Banquet/Convention	7	302	294	204
3/F	Meeting Room in Club Lounge	Meeting and Conference	1	15	8	N/A

Other Facilities

Other facilities include a fitness room and retail spaces.

2. Ownership and Tenure

Lease Terms : New Kowloon Inland Lot No. 5754 is held by the Government under Conditions of Sale No. 11240 for a term of 99 years less the last three days commencing from 1 July 1898 and has been statutorily extended to 30 June 2047.

New Kowloon Inland Lot No. 4917 is held by the Government under Conditions of Sale No. 8785 for a term of 99 years less the last three days commencing from 1 July 1898 and has been statutorily extended to 30 June 2047.

²⁵ Additional outdoor seating areas are provided on the G/F.

Registered Owner	:	Gala Hotels Limited
Major Encumbrances	:	<p>New Kowloon Inland Lot No. 5754 (Regal Oriental Hotel)</p> <ul style="list-style-type: none"> • Deed of Grant of Easement with Plan dated 23 June 1981, registered vide Memorial No. UB2111189. • Modification Letter dated 26 August 1981, registered vide Memorial No. UB2144106. • Letter of Compliance from District Lands Office Kowloon West to Paliburg Project Management Limited dated 27 July 1982, registered vide Memorial No. UB3990406. • Statutory Declaration as to Loss of Title Deeds dated 21 March 2000, registered vide Memorial No. UB8033164. • Lease Agreement (No. 4 for Regal Oriental Hotel) in favour of Favour Link International Limited dated 16 March 2007, registered vide Memorial No. 07041300910095. (Remarks: For the period commencing from 30 March 2007 to 31 December 2015) • First Supplemental Agreement amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited dated 12 February 2010, registered vide Memorial No. 10052602510111. • Second Supplemental Deed amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited dated 12 March 2015, registered vide Memorial No. 15042302380254. • Third Supplemental Deed amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited dated 20 December 2019, registered vide Memorial No. 20041601820121. • Gala Debenture in favour of Hang Seng Bank Limited dated 10 September 2021, registered vide Memorial No. 21092902710383.

New Kowloon Inland Lot No. 4917 (Shops 3-11 including Cocklofts of Shops 5, 6, 7 on Ground Floor and Whole of the First Floor of Po Sing Court)

- Management Agreement in favour of The Hong Kong Building and Loan Agency Limited (Agency) and National Investment Company Limited (Manager) dated 28 November 1967, registered vide Memorial No. UB604982.
- Deed of Mutual Covenant dated 12 December 1967, registered vide Memorial No. UB607737.
- Lease Agreement (No. 4 for Regal Oriental Hotel) in favour of Favour Link International Limited dated 16 March 2007, registered vide Memorial No. 07041300910095. (Remarks: For the period commencing from 30 March 2007 to 31 December 2015)
- First Supplemental Agreement amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited dated 12 February 2010, registered vide Memorial No. 10052602510111.
- Second Supplemental Deed amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited dated 12 March 2015, registered vide Memorial No. 15042302380254.
- Order No. "UBCSN/05-29/0001/12" under S.24(1) of the Buildings Ordinance with plans dated 14 December 2016, registered vide Memorial No. 17041302060283. (Remarks: By the Building Authority Re: Common Part(s) only)
- Third Supplemental Deed amending Lease Agreement No. 4 for Regal Oriental Hotel in favour of Favour Link International Limited dated 20 December 2019, registered vide Memorial No. 20041601820121.
- Order No. " D00133/K/20/TE" by the Building Authority under Section 26 of the Buildings Ordinance dated 3 September 2020, registered vide Memorial No. 20100702240477. (Remarks: for common areas (including common staircase) of the building)
- Gala Debenture in favour of Hang Seng Bank Limited dated 10 September 2021, registered vide Memorial No. 21092902710383.

3. Hotel Operation

Hotel Performance in 2021

Occupancy Rate	:	56%
Average Room Rate	:	HKD551

Lease Agreement

Lessor	:	Gala Hotels Limited
Lessee	:	Favour Link International Limited
Term of Lease Agreement	:	Commencing from the Listing Date and expiring on 31 December 2030 (both days inclusive)

Rental

From 2011 to 2030, the Market Rent²⁶ to be determined (the "Market Rental Package Determination") in accordance with the Lease Agreement, subject to a Floor Rent of HKD30,000,000 per annum out of a total Floor Rent of HKD400,000,000 for all five Initial Hotels²⁷.

According to the 2021 and 2022 Market Rental Package Determinations, Base Rent for ROH for the fiscal years of 2021 and 2022 are HKD35,000,000 and HKD37,000,000 respectively; and the Variable Rent is 50% of the excess of the aggregate NPI of the five Initial Hotels over the aggregate Base Rent of the Initial Hotels for the respective years, which portion shall be the proportion by which the excess NPI of this hotel bears to the aggregate excess NPI of all the Initial Hotels.

Hotel Management Agreement ("HMA")

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	Twenty (20) years from the Listing Date
Base Fee	:	One percent (1%) of Gross Revenue ²⁸ (for so long as the Lease Agreement is in subsistence); or Two percent (2%) of Gross Revenue (for other cases during the Operating Term)
Incentive Fee	:	One percent (1%) of the excess of the Adjusted GOP ²⁹ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

²⁶ According to the Lease Agreement, the Market Rent to be determined includes the Base Rent, Variable Rent and the Lessee's contribution to the FF&E Reserve.

²⁷ Namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel.

²⁸ According to the Hotel Management Agreement, "Gross Revenue" means all revenue derived from the Hotel.

²⁹ According to the Hotel Management Agreement, "Adjusted GOP" means the aggregate of Gross Operating Profit and Net Rental Income.

4. Retail Tenancy/Licence Schedules

Retail³⁰

Retail Area (Lettable)	:	ROH - Approx. 12,263 sq. ft. (1,139 sq. m.) Po Sing Court – Approx. 9,337 sq. ft. (867 sq. m.)
Occupied Area (Lettable)	:	ROH – Approx. 0 sq. ft. (0 sq. m.) Po Sing Court – Approx. 2,927 (272 sq. m.)
Vacant Area (Lettable)	:	ROH - Approx. 12,263 sq. ft. (1,139 sq. m.) Po Sing Court – Approx. 6,410 sq. ft. (596 sq. m.)
Occupancy Rate	:	ROH – 0% Po Sing Court – 31.4%
Monthly Base Rent	:	ROH - HKD0 Po Sing Court - HKD88,000 (All tenancies are exclusive of rates, management fees and air-conditioning charges)

ROH

Latest Expiry Date	:	N/A
Range of Rent-free Period	:	N/A
Option to Renew	:	N/A
Summary of Terms	:	N/A

Po Sing Court

Tenancy Expiry Profile

Year	Lettable Area		Monthly Rent		No. of	
	(sq.ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
Year Ending 2022	1,407	48.1%	18,000	20.5%	1	50%
Year Ending 2024	1,520	51.9%	70,000	79.5%	1	50%
Total	2,927	100%	88,000	100%	2	100%
		(rounded)		(rounded)		(rounded)

³⁰ The areas quoted exclude spaces which are used by ROH.

Tenancy Duration Profile

Tenancy Duration	Lettable Area (sq.ft.)	% of Total	Monthly Rent (HKD)	% of Total	No. of Tenancy	% of Total
More than 1 year and up to 2 years	1,407	48.1%	18,000	20.5%	1	50%
More than 2 years and up to 3 years	1,520	51.9%	70,000	79.5%	1	50%
Total	2,927	100% (rounded)	88,000	100% (rounded)	2	100% (rounded)

Latest Expiry Date	:	12 April 2024
Range of Rent-free Period	:	0 to 2 months
Option to Renew	:	One of the tenancies have an option to renew for a further term of two years.
Summary of Terms	:	The Landlord ³¹ is responsible for payment of Government Rent and the structural and external repairs while the Tenant is responsible for the internal repairs of the occupied area.

Licences for Mobile Phone Base Stations, Antennae, Signage Spaces and Poster Stand(s)

Number of Licences	:	3
Monthly Licence Fee	:	HKD69,365 per month
Latest Expiry Date	:	31 December 2023

5. Estimated Net Property Yield³²

2.1%

6. Market Value in existing state as at 31 December 2021

HKD1,700,000,000 (Hong Kong Dollars One Billion and Seven Hundred Million)

³¹ All tenancy agreements/licences are entered into by Favour Link International Ltd as Landlord.

³² The Estimated Net Property Yield of ROH is derived from the rent receivable in 2021 divided by the Market Value.

Property 5

REGAL RIVERSIDE HOTEL

34-36 Tai Chung Kiu Road
Shatin, New Territories, Hong Kong

Sha Tin Town Lot No. 160

1. Property Description

Regal Riverside Hotel (“RRH”) is a 20-storey (including two basement floors) High Tariff B hotel completed in 1986. It has currently 1,147 guestrooms after the recent renovation works in 2020.

RRH is located at Shatin, a well-established urban area in the New Territories with an immediate locality of mainly residential buildings and some shopping facilities. RRH overlooks the Shing Mun River.

Site Area	:	4,956 sq. m.
Gross Floor Area	:	59,668 sq. m.
Covered Floor Area	:	Approx. 69,100 sq. m.
Town Planning Zoning	:	“Commercial” zone under Draft Sha Tin Outline Zoning Plan No. S/ST/35 dated 3 December 2021.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
Standard Room	131	Executive Club Floor Deluxe Room	54
Superior Room	314	Executive Club Floor River View Room	45
Deluxe Room	46	Spa Superior Room	4
Prime Deluxe Room	158	Spa Deluxe Room	3
Premier Room	158	Executive Suite	11
Family Triple Room	26	Royal Suite	1
Family Quadruple Room	69	Deluxe Suite	6
Executive Club Floor Superior Room	120	Presidential Suite	1
		Total	1,147

Notes: The room sizes range from 10 sq.m.to 121 sq. m.

Food and Beverage Outlets

Floor	Name of Outlet	Type of Facility	Seating Capacity (approx.)	
			Area (sq.m.)	No. of normal dining seating
G/F	Vi ³³	Thai-Vietnamese Cuisine	145	92
G/F	Moon River	Local Authentic Cuisine	97	72
G/F	Avanti Pizzeria ³⁴	Italian Cuisine	154	98
G/F	Scene Bar	Lounge and Bar	210	88
G/F	Taiwan Delight	Taiwanese Cuisine	31	20
1/F	Carnival Bar	American Bar	286	120
1/F	Dragon Inn	Shanghainese Cuisine	318	156
2/F	Regal Terrace	Cantonese and selected Provincial Cuisines	726	460
2/F	Regal Court	Chinese Cuisine (Fine Dining)	205	80
3/F	L'Eau Restaurant	International Buffet and Asian Specialities	409	220

Meeting and Banquet Facilities

Floor	Name of Function Room	Type of Facility	No. of Rooms	Seating Capacity (approx.)		
				Area (sq.m.)	Boardroom Style	Banquet Style
1/F	Ballroom	Banquet/Convention	1	474	450	456
1/F	Multi-purpose Function Rooms	Banquet/Convention	2	108	80	72
1/F	Forum	Meeting and Convention	1	518	500	432
2/F	Multi-purpose Function Rooms	Banquet/Convention	4	319	205	264
3/F	Multi-purpose Function Rooms	Banquet/Convention	4	313	200	300

Other Facilities

Other facilities include an outdoor swimming pool, a health club with a gymnasium and spa/massage facilities and retail spaces.

³³ Additional outdoor seating areas are provided on the G/F.

³⁴ Additional outdoor seating areas are provided on the G/F.

2. Ownership and Tenure

Lease Terms	:	Sha Tin Town Lot No. 160 is held by the Government under New Grant No. 11571 for a term of 99 years less the last three days commencing from 1 July 1898 and has been statutorily extended to 30 June 2047.
Registered Owner	:	Regal Riverside Hotel Limited
Major Encumbrances	:	<ul style="list-style-type: none">• Modification Letter dated 1 June 1982, registered vide Memorial No. ST211142.• Modification Letter dated 28 August 1986, registered vide Memorial No. ST353344.• Letter of Compliance dated 18 July 1986, registered vide Memorial No. ST430228.• Statutory Declaration as to Loss of Title Deeds dated 21 March 2000, registered vide Memorial No. ST1145794• Lease Agreement (No. 5 for Regal Riverside Hotel) in favour of Favour Link International Limited dated 16 March 2007, registered vide Memorial No. 07041300910108 (Remarks: For the period commencing from 30 March 2007 to 31 December 2015).• Modification Letter dated 14 November 2007, registered vide Memorial No. 07111601000553.• First Supplemental Agreement amending Lease Agreement No. 5 for Regal Riverside Hotel in favour of Favour Link International Limited dated 12 February 2010, registered vide Memorial No. 10052602510131.• Second Supplemental Deed amending Lease Agreement No. 5 for Regal Riverside Hotel in favour of Favour Link International Limited dated 12 March 2015, registered vide Memorial No. 15042302380265.• Third Supplemental Deed amending Lease Agreement No. 5 for Regal Riverside Hotel dated 20 December 2019, registered vide Memorial No. 20041601820134.• Regal Riverside Debenture in favour of Hang Seng Bank Limited dated 10 September 2021, registered vide Memorial No. 21092902710405.

3. Hotel Operation

Hotel Performance in 2021

Occupancy Rate	:	56%
Average Room Rate	:	HKD433

Lease Agreement

Lessor	:	Regal Riverside Hotel Limited
Lessee	:	Favour Link International Limited
Term of Lease Agreement	:	Commencing from the Listing Date and expiring on 31 December 2030 (both days inclusive)

Rental

From 2011 to 2030, the Market Rent³⁵ to be determined (the "Market Rental Package Determination") in accordance with the Lease Agreement, subject to a Floor Rent of HKD70,000,000 per annum out of a total Floor Rent of HKD400,000,000 for all five Initial Hotels³⁶.

According to the 2021 and 2022 Market Rental Package Determinations, Base Rent for RRH for the fiscal years of 2021 and 2022 are HKD95,000,000 and HKD101,000,000 respectively; and the Variable Rent is 50% of the excess of the aggregate NPI of the five Initial Hotels over the aggregate Base Rent of the Initial Hotels for the respective years, which portion shall be the proportion by which the excess NPI of this hotel bears to the aggregate excess NPI of all the Initial Hotels.

Hotel Management Agreement ("HMA")

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	Twenty (20) years from the Listing Date
Base Fee	:	One percent (1%) of Gross Revenue ³⁷ (for so long as the Lease Agreement is in subsistence); or Two percent (2%) of Gross Revenue (for other cases during the Operating Term)
Incentive Fee	:	One percent (1%) of the excess of the Adjusted GOP ³⁸ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

³⁵ According to the Lease Agreement, the Market Rent to be determined includes the Base Rent, Variable Rent and the Lessee's contribution to the FF&E Reserve.

³⁶ Namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel.

³⁷ According to the Hotel Management Agreement, "Gross Revenue" means all revenue derived from the Hotel.

³⁸ According to the Hotel Management Agreement, "Adjusted GOP" means the aggregate of Gross Operating Profit and Net Rental Income.

4. Retail Tenancy/Licence Schedules

Retail³⁹

Retail Area (Lettable)	:	Approx. 4,719 sq. ft. (438 sq. m.)
Occupied Area (Lettable)	:	Approx. 4,719 sq. ft. (438 sq. m.)
Vacant Area (Lettable)	:	Approx. 0 sq. ft. (0 sq. m.)
Occupancy Rate	:	100%
Monthly Base Rent	:	HKD221,737 (All tenancies are exclusive of rates, management fees and air-conditioning charges)

Tenancy Expiry Profile

Year	Lettable Area		Monthly Rent		No. of	
	(sq.ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
Year Ending 2024	4,719	100%	221,737	100%	2	100%
Total	4,719	100% (rounded)	221,737	100% (rounded)	2	100% (rounded)

Tenancy Duration Profile

Tenancy Duration	Lettable Area		Monthly Rent		No. of	
	(sq.ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
More than 2 year and up to 3 years	4,719	100%	221,737	100%	2	100%
Total	4,719	100% (rounded)	221,737	100% (rounded)	2	100% (rounded)

Latest Expiry Date : 14 November 2024

Range of Rent-free Period : 1.5 to 9.5 months

Option to Renew : N/A

Summary of Terms : The Landlord⁴⁰ is responsible for payment of Government Rent and the structural and external repairs while the Tenant is responsible for the internal repairs of the occupied area.

³⁹ The areas quoted exclude spaces which are used by RRH.

⁴⁰ All tenancy agreements/licences are entered into by Favour Link International Ltd as Landlord.

Licences for Mobile Phone Base Stations, Antennae, Signage Spaces and Poster Stand(s)

Number of Licences	:	5
Monthly Licence Fee	:	HKD184,800 per month
Latest Expiry Date	:	31 March 2023

5. Estimated Net Property Yield⁴¹

2.0%

6. Market Value in existing state as at 31 December 2021

HKD4,660,000,000 (Hong Kong Dollars Four Billion Six Hundred and Sixty Million)

⁴¹ The Estimated Net Property Yield of RRH is derived from the rent receivable in 2021 divided by the Market Value.

Property 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**

3,062/3,637th undivided shares of and
in the Sub-section 1 and The Remaining Portion of Section F
and the Sub-section 1 and The Remaining Portion of Section G, of Inland Lot No. 2769

1. Property Description

iclub Wan Chai Hotel (“ICWC”) comprises a significant portion of the Ground Floor including Shops A, B and C, 22 entire floors (from the 5th to 29th Floors, of which the 13th, 14th and 24th Floors are omitted), a flat roof on the 3rd Floor, together with the eastern and western elevations of external walls and architectural feature at the roof top and the upper roof of a 26-storey composite building completed in 1997. The remaining portion of the building including a portion of the Ground Floor, all of the 1st and 2nd Floors, is owned by The Financial Secretary Incorporated (the HKSAR Government’s property agent) and does not form part of ICWC. The immediate locality is predominantly office buildings.

After the completion of the Asset Enhancement Programme and the conversion project in 2009 and 2010 respectively, the hotel comprises 99 guestrooms and suites. ICWC is a High Tariff B hotel.

The 99-room hotel portion includes a portion of the Ground Floor and the whole of the 5th to 26th Floors. The portion of the Ground Floor comprises the hotel lobby and a shop which is leased. The mechanical floor is the 3rd Floor. The 27th to 29th Floors have been leased and are occupied for retail/restaurant/bar/karaoke uses.

Site Area	:	413 sq. m.
Gross Floor Area	:	5,326 sq. m.
Covered Floor Area	:	Approx. 5,530 sq. m.
Town Planning Zoning	:	“Commercial” zone under Approved Wan Chai Outline Zoning Plan No. S/H5/29 dated 19 November 2021.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
iSelect	18	iBusiness Executive	10
iSelect Premier	12	iSuite Premier	4
iPlus Premier	29	iResidence Premier	7
iBusiness Deluxe	19		
		Total	99

Notes: The room sizes range from 15 sq. m. to 47 sq. m.

Other Facilities

Other facilities include a club lounge and a gymnasium.

2. Ownership and Tenure

Lease Terms	:	The Inland Lot No. 2769 is held under a Government Lease for a term of 99 years commencing from 25 May 1929 and renewable for a further term of 99 years.
Registered Owner	:	Sonnix Limited
Major Encumbrances	:	<ul style="list-style-type: none">• Licence in favour of Sonnix Limited by the District Lands Officer/Hong Kong West for and on behalf of the Governor of Hong Kong dated 22 November 1994, registered vide Memorial No. UB6186840;• Statutory Declaration of Liu Yee Man John dated 17 April 1997, registered vide Memorial No. UB7020522.• Occupation Permit No. H73/97 dated 20 November 1997, registered vide Memorial No. UB7355437.• Deed of Mutual Covenant and Management Agreement in favour of Paliburg Estate Management Limited dated 28 November 1997, registered vide Memorial No. UB7376631.• Supplemental Deed of Mutual Covenant and Management Agreement in favour of Paliburg Estate Management Limited dated 19 October 2009, registered vide Memorial No. 09103001380118.• Debenture and Mortgage in favour of Hang Seng Bank Limited, dated 24 July 2019, registered vide Memorial No. 19080702600227.

3. Hotel Operation

Hotel Performance in 2021

Occupancy Rate	:	82%
Average Room Rate	:	HKD421

Hotel Management Agreement (“HMA”)

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	From the Effective Date ⁴² , and unless sooner terminated as herein provided, shall continue thereafter through and inclusive of 31 December 2030
Base Fee	:	Two percent (2%) of the Gross Revenue ⁴³
Incentive Fee	:	Five percent (5%) of the excess of the GOP ⁴⁴ over the Base Fee and the Fixed Charges

4. Retail/Office Tenancy Schedules

Retail⁴⁵

Total Retail Area (gross area)	:	1,800 sq. ft. (167 sq. m.)
Occupied Area (gross area)	:	1,800 sq. ft. (167 sq. m.)
Vacant Area (gross area)	:	0 sq. ft. (0 sq. m.)
Occupancy Rate	:	100%
Monthly Base Rent	:	HKD130,000 (The base rent is exclusive of rates, government rent, management fees and air-conditioning charges and outgoings)

⁴² According to the Hotel Management Agreement, “Effective Date” means 1 January 2021.

⁴³ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

⁴⁴ According to the Hotel Management Agreement, “Gross Operating Profit” means Total Hotel Revenue less Hotel Operating Expenses during the same period.

⁴⁵ The areas quoted exclude spaces which are used by ICWC.

Tenancy Expiry Profile

Year	Gross Area (sq.ft.)	% of Total	Monthly Rent (HKD)	% of Total	No. of Tenancy	% of Total
Year Ending 2023	1,800	100%	130,000	100%	1	100%
Total	1,800	100%	130,000	100%	1	100%

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq.ft.)	% of Total	Monthly Rent (HKD)	% of Total	No. of Tenancy	% of Total
More than 1 year and up to 2 years	1,800	100%	130,000	100%	1	100%
Total	1,800	100%	130,000	100%	1	100%

Latest Expiry Date : 19 January 2023

Range of Rent-free Period : N/A

Option to Renew : The Tenant has an option to renew for a further term of 3 years.

Summary of Terms : The Landlord⁴⁶ and/or another responsible party is/are to be responsible for the structural and external repairs while the Tenant is to be responsible for the internal repairs of the occupied area. The rates, government rent, taxes are payable by the Tenant.

Office

**Total Retail Area
(gross area)** : 8,304 sq. ft. (771 sq. m.)

**Occupied Area
(gross area)** : 8,304 sq. ft. (771 sq. m.)

**Vacant Area
(gross area)** : 0 sq. ft. (0 sq. m.)

Occupancy Rate : 100%

Monthly Base Rent : HKD446,921 (All tenancies are inclusive of air-conditioning charges and management fees, but exclusive of rates)

⁴⁶ All tenancy agreements are entered into by Sonnix Limited as Landlord.

Tenancy Expiry Profile

Year	Gross Area		Monthly Rent		No. of	
	(sq.ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
Year Ending 2023	8,304	100%	446,921	100%	3	100%
Total	8,304	100%	446,921	100%	3	100%

Tenancy Duration Profile

Tenancy Duration	Gross Area		Monthly Rent		No. of	
	(sq.ft.)	% of Total	(HKD)	% of Total	Tenancy	% of Total
More than 1 year and up to 2 years	8,304	100%	446,921	100%	3	100%
Total	8,304	100%	446,921	100%	3	100%

Latest Expiry Date : 21 July 2023

Range of Rent-free Period : 6 to 8 months

Option to Renew : N/A

Summary of Terms : The Landlord⁴⁷ and/or another responsible party is/are to be responsible for the structural and external repairs while the Tenant is to be responsible for the internal repairs of the occupied area.

5. Estimated Net Property Yield⁴⁸

0.8%

6. Market Value in existing state as at 31 December 2021

HKD767,000,000 (Hong Kong Dollars Seven Hundred and Sixty Seven Million)

⁴⁷ All tenancy agreements are entered into by Sonnix Limited as Landlord.

⁴⁸ The Estimated Net Property Yield of ICWC is derived from the net income receivable in 2021 divided by the Market Value.

Property 7

ICLUB SHEUNG WAN HOTEL

138 Bonham Strand
Sheung Wan
Hong Kong

Section C of Marine Lot No. 67A
Section A of Sub-section 1 of Section A of Marine Lot No. 67
The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67
Section A of Sub-section 1 of Section B of Marine Lot No. 67
The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67
Sub-section 2 of Section B of Marine Lot No. 67
The Remaining Portion of Section B of Marine Lot No. 67
Sub-section 1 of Section C of Marine Lot No. 67
The Remaining Portion of Section C of Marine Lot No. 67
Section G of Inland Lot No. 66 and
The Remaining Portion of Inland Lot No. 66

1. Property Description

The iclub Sheung Wan Hotel (“ICSW”) is a 34-storey hotel completed in 2014 with 248 rooms and suites. ICSW is located in Sheung Wan, a mature commercial/residential area close to Central, Hong Kong’s primary CBD. The hotel is easily accessible by MTR, taxi and various bus lines.

Site Area⁴⁹	:	472 sq. m.
Gross Floor Area	:	7,197 sq. m.
Covered Floor Area	:	Approx. 9,600 sq. m.
Town Planning Zoning	:	“Commercial” zone under Approved Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/34 dated 13 November 2020.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
iSelect	72	iPlus Premier	28
iPlus	60	iBusiness Premier	14
iBusiness	34	iSuite	18
iSelect Premier	7	iResidence	7
iBusiness Deluxe	8		
		Total	248

Notes: The room sizes range from 13 sq. m. to 54 sq. m.

⁴⁹ The site area excludes an area of 32.803 sq. m. to be reserved for lane pattern but includes an area of 24.398 sq. m. to be surrendered for road widening.

Other Facilities

Other facilities include a club lounge and a gymnasium.

2. Ownership and Tenure

Lease Terms	:	Marine Lot No. 67 and Marine Lot No. 67A are held under respective Government Leases for a common term of 999 years commencing from 7 February 1852; Inland Lot No. 66 is held under a Government Lease for a term of 999 years commencing from 26 March 1868.
Registered Owner	:	Tristan Limited
Major Encumbrances	:	<ul style="list-style-type: none">• Government Notice No. 2710 of 21 July 1995 pursuant to Section 22(1) the Crown Rent and Premium (Apportionment) Ordinance (Cap. 125) dated 21 July 1995, registered vide Memorial No. UB6352712 (For Section G of Inland Lot No. 66 and The Remaining Portion of Inland Lot No. 66 only).• Government Notice No. 1100 of 18 February 2011 pursuant to Section 22(1) of the Government Rent and Premium (Apportionment) Ordinance (Cap. 125) dated 18 February 2011, registered vide Memorial No. 11030101830019 (For Section A of Sub-section 1 of Section A of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67, Section A of Sub-section 1 of Section B of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67, Sub-section 2 of Section B of Marine Lot No. 67, The Remaining Portion of Section B of Marine Lot No. 67, Sub-section 1 of Section C of Marine Lot No. 67 and The Remaining Portion of Section C of Marine Lot No. 67 only).• Deed Poll dated 15 August 2011, registered vide Memorial No. 11082501800017 (Section A of Sub-section 1 of Section A of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67, Section A of Sub-section 1 of Section B of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67, Sub-section 2 of Section B of Marine Lot No. 67, The Remaining Portion of Section B of Marine Lot No. 67, Sub-section 1 of Section C of Marine Lot No. 67, The Remaining Portion of Section C of Marine Lot No. 67, Section G of Inland Lot No. 66 and The Remaining Portion of Inland Lot No. 66 only).• Government Notice No. 7420 of 11 November 2011 pursuant to Section 22(1) of the Government Rent and Premium (Apportionment) Ordinance (Cap. 125) dated 11 November 2011, registered vide Memorial No. 11111702560010 (For Section C of Marine Lot No. 67A only).

- Offensive Trade Licence by District Lands Officer, Hong Kong West & South dated 12 December 2011, registered vide Memorial No. 12022300500014 (For Section C of Marine Lot No. 67A, Section A of Sub-section 1 of Section A of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67, Section A of Sub-section 1 of Section B of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67, The Remaining Portion of Section B of Marine Lot No. 67, Sub-section 1 of Section C of Marine Lot No. 67, The Remaining Portion of Section C of Marine Lot No. 67 and The Remaining Portion of Inland Lot No. 66 only).
- Occupation Permit (No. HK1/2014(OP)) dated 6 January 2014, registered vide Memorial No. 18112102410465.
- Lease Agreement in favour of Favour Link International Limited dated 10 February 2014, registered vide Memorial No. 15042302380283. (Note: For the period commencing from 10 February 2014 to 31 December 2019).
- Supplementary Deed to Lease Agreement in Favour of Favour Link International Limited dated 20 February 2018, registered vide Memorial No. 18022301430011.
- Debenture and Mortgage dated 29 October 2018 in favour of United Overseas Bank Limited, registered vide Memorial No. 18112102410485 (For Section C of Marine Lot No. 67A, The Remaining Portion of Section B of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67, The Remaining Portion of Section C of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67 and The Remaining Portion of Inland Lot No. 66 only).
- Lease Agreement in favour of Favour Link International Limited dated 18 November 2019, registered vide Memorial No. 19121001910020 (Note: For the period commencing from 1 January 2020 to 31 December 2024) (For Section C of Marine Lot No. 67A, The Remaining Portion of Section B of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67, The Remaining Portion of Section C of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67 and The Remaining Portion of Inland Lot No. 66 only).

3. Hotel Operation

Hotel Performance in 2021

Occupancy Rate : 81%

Average Room Rate : HKD403

Lease Agreement

Lessor : Tristan Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from the Effective Date⁵⁰ and expiring on 31 December 2024

Rental : The annual rent receivable in respect of the first, second and third years of the lease term are 5.00%, 5.25% and 5.50% respectively of HKD1,580 million.

The rent receivable in respect of the remaining lease term shall be determined based on annual market rental reviews performed by independent professional property valuer who will be jointly appointed by the Lessor and the Lessee.

According to the 2021 and 2022 Market Rental Package Determinations, Base Rent for ICSW for the lease year of 2021 and 2022 are HKD26,000,000 and HKD27,000,000 respectively; and the Variable Rent is 50% of the excess of the NPI apportioned according to the number of days for the lease year.

⁵⁰ According to the Lease Agreement, "Effective Date" means 10 February 2014.

Hotel Management Agreement (“HMA”)

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	From the Effective Date ⁵¹ , and unless sooner terminated as herein provided, shall continue thereafter through and inclusive of the tenth anniversary of the Effective Date
Base Fee	:	One percent (1%) of Gross Revenue ⁵² (for so long as the Lease Agreement is in subsistence); or Two percent (2%) of Gross Revenue (for other cases during the Operating Term)
Incentive Fee	:	One percent (1%) of the excess of the Adjusted GOP ⁵³ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

4. Licence Schedules

Licences for Mobile Radio Equipment, Integrated Radio Systems and Others

Number of Licences	:	1
Monthly Licence Fee	:	HKD60,000
Latest Expiry Date	:	31 December 2023

5. Estimated Net Property Yield⁵⁴

1.8%

6. Market Value in existing state as at 31 December 2021

HKD1,416,000,000 (Hong Kong Dollars One Billion Four Hundred and Sixteen Million)

⁵¹ According to the Hotel Management Agreement, “Effective Date” means 10 February 2014.

⁵² According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

⁵³ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

⁵⁴ The Estimated Net Property Yield of ICSW is derived from the rent receivable in 2021 divided by the Market Value.

Property 8

ICLUB FORTRESS HILL HOTEL

18 Merlin Street
North Point
Hong Kong

The Remaining Portion of Section P of Inland Lot No. 2273,
The Remaining Portion of Sub-section 1 of Section P of Inland Lot No. 2273,
The Remaining Portion of Sub-section 1 of Section H of Inland Lot No. 2273 and
The Remaining Portion of Section H of Inland Lot No. 2273

1. Property Description

The iclub Fortress Hill Hotel (“ICFH”) is a 32-storey hotel completed in 2014 with 338 guestrooms. ICFH is located in North Point, where most of developments are residential buildings. Office buildings and hotel developments can also be found in the vicinity. The hotel is easily accessible by MTR, taxi and various bus lines.

Site Area	:	457 sq. m.
Gross Floor Area	:	6,849 sq. m.
Covered Floor Area	:	Approx. 9,400 sq. m.
Town Planning Zoning	:	“Commercial/Residential” zone under Approved North Point Outline Zoning Plan No. S/H8/26 dated 25 August 2017.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
iRoom	17	iPlus	108
iRoom Premier	11	iPlus Premier	30
iSelect	116	iBusiness Premier	56
		Total	338

Notes: The room sizes range from 10 sq. m. to 16 sq. m.

Other Facilities

Other facilities include a club lounge and a gymnasium.

2. Ownership and Tenure

Lease Terms	:	Inland Lot No. 2273 is held under a Government Lease for a term of 75 years commencing from 25 August 1919 and renewable for a further term of 75 years.
Registered Owner	:	Wise Decade Investments Limited
Major Encumbrances	:	<ul style="list-style-type: none">• Offensive Trade Licence from District Lands Office, Hong Kong East dated 20 July 2012, registered vide Memorial No. 12082101060027.• Lease Agreement in favour of Favour Link International Limited dated 28 July 2014, registered vide Memorial No. 15042302380277. (Note: For the period commencing from 28 July 2014 to 31 December 2019).• Debenture and Mortgage dated 10 December 2018 in favour of Cathay United Bank Company, Limited, registered vide Memorial No. 18122102550151.• Occupation Permit (No. HK20/2014(OP)) dated 5 May 2014, registered vide Memorial No. 19010702210517.• Lease Agreement in favour of Favour Link International Limited dated 18 November 2019, registered vide Memorial No. 19121001910030 (Note: For the period commencing from 1 January 2020 to 31 December 2024).

3. Hotel Operation

Hotel Performance in 2021

Occupancy Rate	:	75%
Average Room Rate	:	HKD334

Lease Agreement

Lessor	:	Wise Decade Investments Limited
Lessee	:	Favour Link International Limited
Term of Lease Agreement	:	Commencing from the Effective Date ⁵⁵ and expiring on 31 December 2024
Rental	:	The annual rent receivable in respect of the first, second and third years of the lease term are 5.00%, 5.25% and 5.50% respectively of HKD1,650 million.

⁵⁵ According to the Lease Agreement, "Effective Date" means 28 July 2014.

The rent receivable in respect of the remaining lease term shall be determined based on annual market rental reviews performed by independent professional property valuer who will be jointly appointed by the Lessor and the Lessee.

According to the 2021 and 2022 Market Rental Package Determinations, Base Rent for ICFH for the lease year of 2021 and 2022 are HKD26,000,000 and HKD27,000,000 respectively; and the Variable Rent is 50% of the excess of the NPI.

Hotel Management Agreement (“HMA”)

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	From the Effective Date ⁵⁶ , and unless sooner terminated as herein provided, shall continue thereafter through and inclusive of the tenth anniversary of the Effective Date
Base Fee	:	One percent (1%) of Gross Revenue ⁵⁷ (for so long as the Lease Agreement is in subsistence); or Two percent (2%) of Gross Revenue (for other cases during the Operating Term)
Incentive Fee	:	One percent (1%) of the excess of the Adjusted GOP ⁵⁸ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

4. Licence Schedules

Licences for Mobile Radio Equipment, Integrated Radio Systems and Others

Number of Licences	:	1
Monthly Licence Fee	:	HKD60,000
Latest Expiry Date	:	31 December 2023

5. Estimated Net Property Yield⁵⁹

1.8%

6. Market Value in existing state as at 31 December 2021

HKD1,441,000,000 (Hong Kong Dollars One Billion Four Hundred and Forty One Million)

⁵⁶ According to the Hotel Management Agreement, “Effective Date” means 28 July 2014.

⁵⁷ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

⁵⁸ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

⁵⁹ The Estimated Net Property Yield of ICFH is derived from the rent receivable in 2021 divided by the Market Value.

Property 9

ICLUB MA TAU WAI HOTEL

8 Ha Heung Road
(formerly known as 8, 8A, 10, 10A, 12 and 12A Ha Heung Road)
Kowloon
Hong Kong

Section C of Kowloon Inland Lot No. 4148

1. Property Description

iclub Ma Tau Wai Hotel ("ICMTW") is a 22-storey building including 1 basement floor completed in 2017. It provides 340 guestrooms accommodated from the 5th to 23rd Floors of the building. Carparking spaces are available on the basement and ground floor.

ICMTW is located at Ma Tau Wai, a traditional residential area near Kowloon City and the new Kai Tak development. The immediate locality is predominantly residential buildings.

Site Area	:	700 sq. m.
Gross Floor Area⁶⁰	:	6,298 sq. m.
Covered Floor Area	:	Approx. 9,490 sq. m.
Town Planning Zoning	:	"Residential (Group A)" zone under Draft Ma Tau Kok Outline Zoning Plan No. S/K10/27 dated 21 May 2021.

Hotel Guestroom Configuration

Room Type	No. of Rooms	Room Type	No. of Rooms
iSelect	48	iPlus Family	48
iPlus	64	iPlus Premier Family	60
iSelect Premier	27	iBusiness Premier	54
iSelect Premier Family	12	iBusiness Premier Family	18
iBusiness Deluxe Family	9		
		Total	340

Notes: The room sizes range from 11 sq. m. to 16 sq. m.

Other Facilities

Other facilities include a lounge, computer area and fitness area.

⁶⁰ The Gross Floor Area excludes 158.11 sq. m. lift exempted area.

2. Ownership and Tenure

Lease Terms	:	Section C of Kowloon Inland Lot No. 4148 is held under a Conditions of Sale No. 3945 for a term of 75 years commencing from 26 June 1939 and renewable for a further term of 75 years.
Registered Owner	:	Land Crown International Limited
Government Rent	:	3% of the rateable value of the Property
Major Encumbrances	:	<ul style="list-style-type: none">• Occupation Permit No. KN52/2016 (OP), dated 23 November 2016, registered vide Memorial No. 17091300940028.• Lease Agreement for iclub Ma Tau Wai Hotel in favour of Favour Link International Limited, dated 4 September 2017, registered vide Memorial No. 17091300940063.• Debenture and Mortgage (Constituting Fixed and Floating Charges) in favour of United Overseas Bank Limited, dated 4 September 2017, registered vide Memorial No. 17091802150273.• Supplement to Debenture and Mortgage in favour of United Overseas Bank Limited, dated 27 August 2020, registered vide Memorial No. 20092202300074.

3. Hotel Operation

Hotel Performance in 2021

Occupancy Rate : 70%

Average Room Rate : HKD616

Lease Agreement

Lessor : Land Crown International Limited

Lessee : Favour Link International Limited

Term of Lease Agreement : Commencing from the Effective Date⁶¹ and expiring on 31 December 2027

Rental : The annual rent receivable in respect of the first, second, third, fourth and fifth years of the lease term are 4.00%, 4.25%, 4.50%, 4.75% and 5.00% respectively of HKD1,360 million.

The rent receivable in respect of the remaining lease term shall be determined based on annual market rental reviews performed by independent professional property valuer who will be jointly appointed by the Lessor and the Lessee.

⁶¹ According to the Lease Agreement, "Effective Date" means 4 September 2017.

Hotel Management Agreement (“HMA”)

Hotel Manager	:	Regal Hotels International Limited
Term of HMA	:	From the Effective Date ⁶² , and unless sooner terminated as herein provided, shall continue thereafter through and inclusive of the tenth anniversary of the Effective Date
Base Fee	:	One percent (1%) of Gross Revenue ⁶³ (for so long as the Lease Agreement is in subsistence); or Two percent (2%) of Gross Revenue (for other cases during the Operating Term)
Incentive Fee	:	One percent (1%) of the excess of the Adjusted GOP ⁶⁴ over the Base Fee and the Fixed Charges (for so long as the Lease Agreement is in subsistence); or Five percent (5%) of the excess of the Adjusted GOP over the Base Fee and the Fixed Charges (for other cases during the Operating Term)

4. Estimated Net Property Yield⁶⁵

5.3%

5. Market Value in existing state as at 31 December 2021

HKD1,250,000,000 (Hong Kong Dollars One Billion Two Hundred and Fifty Million)

⁶² According to the Hotel Management Agreement, “Effective Date” means 4 September 2017.

⁶³ According to the Hotel Management Agreement, “Gross Revenue” means all revenue derived from the Hotel.

⁶⁴ According to the Hotel Management Agreement, “Adjusted GOP” means the aggregate of Gross Operating Profit and Net Rental Income.

⁶⁵ The Estimated Net Property Yield of ICMTW is derived from the rent receivable in 2021 divided by the Market Value.

HOTEL MARKET OVERVIEW

Hong Kong's tourism market saw a downturn in the second half of 2019 due to social unrest and the US-Sino trade tensions. The market was further disrupted in 2020 by the COVID-19 pandemic as many countries closed their borders and imposed travel restrictions. Today, despite improving sentiment and the global mass distribution of vaccines, travel restrictions are yet to be lifted.

Due to the notable decline in visitor arrivals since 2019, the traditional hospitality market saw significant disruption as Hong Kong hotels' major source markets are Greater China and the rest of the world, with the largest share from the mainland. Many Medium Tariff hotels were able to mitigate the impact of lower tourist numbers with increased occupancy by offering discounted long-stay packages targeting locals and taking part in the Government's quarantine hotel scheme. However, other hospitality sectors, including serviced apartments and co-living, suffered relatively less due to the nature of their business, longer lease terms, and their comparatively stable demand from major source markets.

As a result of 2019's social unrest and the US-Sino trade tensions, the number of overnight visitor arrivals fell by 18.8% in 2019. This decline accelerated in 2020 due to the pandemic, resulting in overnight visitors numbers retreating 94.3% YoY.⁶⁶

As of September 2021, the number of overnight arrivals continued to fall, showing a YoY decline of 95.4%.⁶⁷ Historically, Hong Kong's tourism market maintained a healthy demand/supply dynamic due to the more robust growth of overnight visitor arrivals compared to hotel supply. From 2013 to 2019, hotel room supply increment remained steady from around 1.7% to 5.4% YoY, while overnight visitor arrivals generally outpaced this growth, except for 2015-2017. The visitors-to-room ratio remained stable from 2016 to 2018 but dropped 21.7% in 2019 and 94.4% in 2020 due to pandemic-induced decline in demand.

Historically, High Tariff A hotels' average occupancy remained above 80% from 2010 to 2018, except for 2019-2020, when the market was disrupted. As at YTD June 2021, the High Tariff A hotel market has shown signs of recovery, with average occupancy rising by 15.0 percentage points to 36% and Revenue Per Available Room (RevPAR) growth of 45.9% YoY to HKD521. Even though there have been glimmers of recovery in High Tariff A hotels, the sector is still delicate with the ADR remaining subdued overall, declining 15.4% YoY during the same period.

Occupancy levels of hotels in Central/Western have historically been at a similar level as the High Tariff A hotels, maintaining a 78% average occupancy rate since 2014 and reaching their 90% peak in 2018. Given that Central/Western relies heavily on tourists, occupancy has underperformed compared to less international-tourist-driven markets like the New Territories, Kowloon (except Tsim Sha Tsui and Yau Ma Tei/Mong Kok) and Yau Ma Tei/Mong Kok in 2020. As at June 2021, the average occupancy rate for High Tariff A hotels registered 47%, approximately 37.3 percentage points below the Medium Tariff Hotels and 26.6 percentage points lower than the average occupancy rate of all hotel classes.

⁶⁶ Source: "Visitor Arrivals To Hong Kong In December 2020", HKTb, partnernet.hktb.com/

⁶⁷ Source: "Visitor Arrivals To Hong Kong In September 2021", HKTb, partnernet.hktb.com/

Despite the economic headwinds caused by US-Sino trade tensions and the pandemic, 2020 saw the majority of proposed hotels completed, with total stock growing by 3.1% YoY. Between 2010 and 2020, overall licensed hotel supply demonstrated a steady increase, with a 3.7% CAGR. During the same period, High Tariff A hotel rooms increased by 23.1%, reaching a total stock of 19,766 rooms. The High Tariff B segment recorded the most notable growth (56.9%), with 33,634 rooms. Medium Tariff hotels registered a 50.6% growth to 26,490 rooms during the same period. As at the end of 2020, there were a total of 311 hotels with an inventory of 86,700 rooms in Hong Kong.

In 2021, approximately 2,703 rooms were scheduled for completion, representing strong 3.1% YoY growth. New supply is expected to remain subdued, increasing at a CAGR of 2.2% from 2022 to 2024 to reach around 91,670 rooms by the end of 2024. Future new supply will be distributed in various districts, focusing on Lantau Island, Yau Tsim Mong, Kwun Tong and Kowloon City. Notable upcoming openings include the Regala Skycity Hotel (1,208 rooms) and Hong Kong Ocean Park Fullerton Hotel (460 rooms).⁶⁸

⁶⁸ Source: HKTB - Hotel Supply Situation Report as at September 2021

1. REGAL AIRPORT HOTEL

The RAH is located at 9 Cheong Tat Road, adjacent to Hong Kong International Airport (HKIA) and is Hong Kong's only airport hotel with direct access to the passenger terminals through an air-conditioned footbridge.

RAH is close to the AsiaWorld Expo, one of Hong Kong's two main MICE venues, as well as important tourist destinations including Hong Kong Disneyland. The HKIA passenger terminals and the adjoining Citygate Outlets Shopping Centre both have shopping and dining options. RAH benefits from regular connectivity via the Airport Express Line, which connects to the Mass Transit Railway, cabs, and buses across the city, thanks to the airport's comprehensive transportation infrastructure.

The two existing hotels nearby, the Novotel Citygate Hong Kong in Tung Chung and the Hong Kong SkyCity Marriott Hotel adjacent to the AsiaWorld Expo, are the major competitors. Nonetheless, due to its strategic location and accessibility to passenger ports, RAH is thought to have a competitive advantage over its competitors. Furthermore, because those hotels have different market positioning and pricing strategies, competition between the two hotels is predicted to be modest.

RAH has joined the 6th and 7th Cycle of the Designated Quarantine Hotels Scheme, offering different quarantine packages to the customers who are subject to the compulsory quarantine imposed by the HKSAR Government. The short-term business strategies of RAH have changed as the target customers changed from travellers and airline crews to customers who require quarantine accommodation.

According to the projections made in the HKIA Master Plan 2030, once the two HKIA projects – HKIA Terminal 2 and the three-runway system (3RS) extension projects – are finished by 2024, the HKIA will be able to extend its capacity to handle 30 million additional passengers per year. The massive commercial complex known as SkyCity is set to open in phases beginning in 2023. The massive mall is expected to boost the HKIA's and the neighborhood's appeal. RAH could benefit from HKIA Master Plan 2030, especially once the border is reopened and travel restrictions are eased.⁶⁹

2. REGAL HONGKONG HOTEL

The Regal Hongkong Hotel (RHK) is located at 88 Yee Wo Street in Causeway Bay, a popular retail district in Hong Kong. The hotel has good accessibility thanks to a variety of transportation options, including the Mass Transit Railway, taxis, buses, and trams, as well as road networks. RHK is within a few minutes' walk from the Causeway Bay Mass Transit Railway Station.

RHK is close to a range of retail and entertainment options, including Sogo Department Store, Times Square, Hysan Place, Fashion Walk and Lee Gardens. The Hong Kong Stadium, Victoria Park, and Happy Valley Racecourse are also famous sports and recreational facilities in the area that help RHK attract people attending various events.

⁶⁹ Source: 2022 11 SKIES, www.11-skies.com/about

There was no record of new hotel supply in Causeway Bay in 2021.

Travel restrictions and social distancing measures are anticipated to have a persistent impact on RHK's performance in the short to medium term. RHK, which is located at Hong Kong Island's shopping district, is in high demand from both locals and visitors. Once travel restrictions and precautionary measures are lifted, we expect an increase in occupancy and average room rate in the long run.

3. REGAL KOWLOON HOTEL

The Regal Kowloon Hotel (RKH) is located at 71 Mody Road in Tsim Sha Tsui East, a traditional tourist and commercial district in Kowloon. Harbour City (which contains four areas: Ocean Terminal, Ocean Centre, Gateway Arcade, and The Marco Polo Hongkong Hotel Arcade), iSquare, K11 Musea, the One, the Hong Kong Cultural Centre, 1881 Heritage, and the Hong Kong Science Museum are all within walking distance of the hotel. RKH is well-served by public transportation, including the Mass Transit Railway, taxis, and buses that connect to other districts in Hong Kong.

The Hong Kong Cultural Centre, Hong Kong Museum of Art, and Hong Kong Space Museum are famous museums and performance venues in Tsim Sha Tsui. Moreover, 2 well-known museums: the Hong Kong Museum of History and the Hong Kong Science Museum, are located in Tsim Sha Tsui East. The Avenue of Stars, a major tourist attraction, has increased foot traffic in the Tsim Sha Tsui harbourfront region. The RKH is only a 10-minute walk away from the attraction.

In Tsim Sha Tsui, no new hotels were completed in 2021. Due to differences in scale of operation, location, and target markets, three new hotels, Rosewood Hotel, K11 Artus, and Page 148, are unlikely to have substantial influence or compete directly against RKH. In addition, the high demand for hotel rooms in Tsim Sha Tsui is likely to take up the additional room supply quickly.

Travel restrictions and social distancing measures are anticipated to have a persistent impact on RKH's performance in the short to medium term. RKH, which is located in the heart of Kowloon, is in high demand from both locals and visitors. Once travel restrictions and precautionary measures are eased, we expect a rise in occupancy and average room rate in the long run.

4. REGAL ORIENTAL HOTEL

The Regal Oriental Hotel (ROH) is situated at 30-38 Sa Po Road in Kowloon City, directly across from the bustling Kai Tak Development Area (KTDA). ROH is within a few minutes' walk from the Sung Wong Toi Mass Transit Railway Station. It is also closely connected to the surrounding industrial and economic districts of Kwun Tong, Kowloon Bay, Tsim Sha Tsui, and Mongkok in Kowloon by an arterial road, Prince Edward Road East. Tourist attractions such as the Chi Lin Nunnery, Wong Tai Sin Temple, and Hau Wong Temple are close by, as are shopping, dining, and entertainment options, as well as the large retail/leisure facility - Festival Walk at Kowloon Tong Mass Transit Railway Station.

The Kai Tak Development includes 320 hectares of land, including the former airport site as well as the adjacent hinterland districts of Wong Tai Sin, Kwun Tong, and Kowloon City. It is designed to revitalize the surrounding areas with a development mix of community, housing, business, tourism, and infrastructure purposes. The government has undertaken a review in order to raise the KTDA's development intensity and improve site planning. In two phases, a total of 16,000 additional residential flats and about 400,000 sq.m. of commercial floor area will be built.⁷⁰

The section from Kai Tak to Hung Hom of Mass Transit Railway Shatin-Central Link (SCL) Phase 1 has completed in June 2021. Future expansion and extension of the SCL Phase 2 which will extend the East Rail Line from Hung Hom to Admiralty will be completed in 2022.⁷¹ It will reduce the travelling time to about 15 minutes from Kowloon City to Admiralty, which will further enhance the accessibility of ROH.

There was no record of new hotel supply in nearby district during 2021.

ROH has joined the 6th and 7th Cycle of the Designated Quarantine Hotels Scheme, which provides various quarantine packages to customers who are subject to the HKSAR Government's compulsory quarantine. ROH's short-term business strategies have changed, as the target customers have shifted from travellers to customers who require quarantine accommodation.

ROH has a strong demand for room bookings as a result of its participation in the Government's Designated Quarantine Hotels Scheme. ROH's performance is likely to rebound once the travel restrictions are relaxed, associated with the long-term growth forecast in the area and the neighbouring Cruise Terminal.

5. REGAL RIVERSIDE HOTEL

The Regal Riverside Hotel (RRH) is situated at 34-36 Tai Chung Kiu Road in Sha Tin, with a view of the Shing Mun River. The hotel is close to the Sha Tin Mass Transit Railway Station, making it convenient for guests to travel between Kowloon and mainland China. The upcoming construction of the Sha Tin to Central Link Phase 2, which will extend the railway from Hung Hom to Admiralty, is expected to improve RRH's accessibility to other Hong Kong districts.

Nearby, the New Town Plaza, Shatin Centre and Shatin Plaza Shopping Arcade offer extensive shopping and dining options. Shatin Racecourse and the Shing Mun River nearby offer sports and recreation activities.

In 2020 and 2021, there was no new hotel supply in Sha Tin or the surrounding regions after the completion of Alva Hotel in 2019. Since Alva Hotel's business scale and market positioning differs from RRH, it has limited impact on RRH.

Travel restrictions and social distancing measures are anticipated to have a persistent impact on RRH's performance in the short to medium term. Once travel restrictions and precautionary measures are lifted, we expect an uptick in occupancy and average room rate in the long term.

⁷⁰ Source: Information Services Department (ISD), 2017 Policy Address.

⁷¹ Source: MTR, www.mtr-shatincentrallink.hk/tc/home/

6. ICLUB WAN CHAI HOTEL

iclub Wan Chai Hotel (ICWC) is located at Johnston Road, Wan Chai. Wan Chai is one of Hong Kong's biggest commercial areas, which is infused with the city's traditional culture. The Hong Kong Convention and Exhibition Centre (HKCEC) in Wan Chai North, which is close to the hotel, organises various conferences and events. ICWC is always an ideal choice for businessman as it is convenient with only a 15-minute walking distance from HKCEC. The hotel is also located close to a cluster of prime office buildings, including the Sun Hung Kai Centre and the Great Eagle Centre, which house a diverse range of firms.

The ICWC is also well-positioned to serve leisure travellers; the hotel is bordered by Hennessy and Johnston Roads, which are lined with restaurants and specialised shops. The Wan Chai district is popular with leisure travellers due to its rich culture and ease of access via numerous modes of transportation, including the Wan Chai Mass Transit Railway Station, buses, taxis, and trams; ferry service between Tsim Sha Tsui and Wan Chai is also available.

In 2020, Butterfly on Morrison situated in Causeway Bay has opened. This hotel with 98 hotel rooms targets the same group of travellers and has a similar location with ICWC. A few hotels have opened in the neighbourhood during 2020 and 2021. One of them is The Hari Hong Kong at 330 Lockhart Road, Wan Chai with a supply of 210 rooms in the end of 2020.⁷² This new hotel target affluent travellers, which is different to the targeting group of ICWC.

In the short to medium term, travel restrictions and social distancing measures are likely to impact the performance of ICWC continuously. Located in a business area with good-quality office developments, ICWC commands strong demand from business travellers. We expect a rebound in occupancy rate and average room rate once travel restrictions and precaution measures have released in the long term.

7. ICLUB SHEUNG WAN HOTEL

The iclub Sheung Wan Hotel (ICSW) is located in Bonham Strand, Sheung Wan. Sheung Wan is a secondary business area close to Central with numerous Grade A office buildings, such as Shun Tak Centre, Cosco Tower, and 9 Des Voeux Road West. Mass Transit Railway, trams, taxis, buses, and minibuses are all convenient ways to access the hotel. Tsim Sha Tsui and Kowloon Station are both within a 20-minute drive of the hotel through Western Harbour Crossing. In addition, the Hong Kong-Macau Ferry terminal nearby which provides ferry and helicopter services, acts as a conduit for business travellers from Macau and China for commercial intercourse. Situated in a prime location with good accessibility, ICSW catches a good quantity of business travellers.

Besides business travellers, the hotel is also able to attract leisure travellers. Cluster of stores along Wing Lok Street and Des Voeux Road West is a well-known area selling quality dried foods and Chinese medicines. Together with historical architecture, Sheung Wan attracts various leisure travellers.

There was no record of new hotel supply in nearby district during 2021.

In the short to medium term, travel restrictions and social distancing measures are likely to impact the performance of ICSW continuously. Located near Central business area with good-quality office developments, ICSW commands strong demand from business travellers. In the long term, we expect a rebound in occupancy rate and average room rate once travel restrictions and precaution measures have released.

⁷² Source: HKTB - Hotel Supply Situation Report as at December 2020

8. ICLUB FORTRESS HILL HOTEL

iclub Fortress Hill Hotel (ICFH) is located in Merlin Street in North Point. North Point is a mature residential area and one of the primary decentralised commercial districts on Hong Kong Island. North Point is served by various modes of transportation, including the Mass Transit Railway, taxis, trams, and buses.

Fortress Hill is near to Quarry Bay - a decentralised commercial district with high-quality office projects, and Causeway Bay - a retail district with well-known shopping centres such as Times Square, Lee Gardens, Sogo Department Store, and Hysan Place. Commercial developments such as Lee & Man Commercial Centre, AIA Tower, and 148 Electric Road are office buildings in Fortress Hill. The East Coast Park Precinct, which opened in September 2021 and is only 10 minutes away from ICFH, provides a venue for families and pet owners to enjoy their leisure time. In addition, Victoria Park, the Hong Kong Stadium, and the Happy Valley Racecourse are in close proximity and can be reached by public transports and taxi.

A new luxury hotel, Hotel Alexandra at 32 City Garden Road, North Point with a supply of 840 rooms, opened in 2020.⁷³ Several facilities are provided within this newly built hotel such as an outdoor swimming pool, a fitness centre and meeting rooms. Hotel Alexandra has a different scale of operation and targeted customer mix.

ICFH has joined the 6th and 7th Cycle of the Designated Quarantine Hotels Scheme, offering different quarantine packages to the customers who are subject to the compulsory quarantine imposed by the HKSAR Government. The short-term business strategies of ICFH have changed as the target customers changed from travellers to customers who require quarantine accommodation.

By participating in the Designated Quarantine Hotels Scheme proposed by the Government, ICFH is able to generate income under the pandemic, and it generally has better performance compare to hotels without participating the scheme. Located near to the MTR Fortress Hill Station with good accessibility to Kowloon and New Territories, ICFH will continue to be the prime choice of millennial travellers who are more prone to choose accommodation characterised by modern technology. We expect an increment in occupancy rate and average room rate after travel restrictions and precaution measures have released in the long term.

⁷³ Source: HKTB - Hotel Supply Situation Report as at December 2020

9. ICLUB MA TAU WAI HOTEL

iclub Ma Tau Wai Hotel (ICMTW) is located in Ha Heung Road in To Kwa Wan, which is an old urban area with mainly residential developments. The Kai Tak Development, which is part of the government's Energizing Kowloon East plan, is a major development in the region.

The Kai Tak Development includes 320 hectares of land, including the former airport site as well as the adjacent hinterland districts of Wong Tai Sin, Kwun Tong, and Kowloon City. It is designed to revitalize the surrounding areas with a development mix of community, housing, business, tourism, and infrastructure purposes. The government has undertaken a review in order to raise the KTDA's development intensity and improve site planning. In two phases, a total of 16,000 additional residential flats and about 400,000 sq.m. of commercial floor area will be built.⁷⁴

The section from Kai Tak to Hung Hom of Mass Transit Railway Shatin-Central Link (SCL) Phase 1 has completed in June 2021. Transportation of ICMTW has improved, which is just approximately 5-minute walk away from MTR To Kwa Wan Station. The SCL Phase 2 will extend the East Rail Line from Hung Hom to Admiralty and will be completed in 2022.⁷⁵ It will reduce the travelling time to about 15 minutes from To Kwa Wan to Admiralty, which further enhance the accessibility of ICMTW.

There was no record of new hotel supply in nearby district during 2021.

ICMTW has joined the 6th Cycle of the Designated Quarantine Hotels Scheme, offering different quarantine packages to the customers who are subject to the compulsory quarantine imposed by the HKSAR Government. The short-term business strategies of ICMTW have changed as the target customers changed from travellers to customers who require quarantine accommodation.

By participating in the Designated Quarantine Hotels Scheme proposed by the Government, ICMTW is able to generate income under the pandemic, and it generally has better performance compare to hotels without participating the scheme. Located near to the MTR To Kwa Wan Station with enhanced accessibility to Yau Tsim Mong District and Hong Kong Island, ICMTW will continue to be the prime choice of millennial travellers who are more prone to choose accommodation characterised by modern technology. We expect an increment in occupancy rate and average room rate after travel restrictions and precaution measures have released in the long term.

⁷⁴ Source: Information Services Department (ISD), 2017 Policy Address.

⁷⁵ Source: MTR, www.mtr-shatincentrallink.hk/tc/home/

SUMMARY OF PROPERTY PORTFOLIO

As at 31st December, 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

	Description	Use	Lease	Gross Floor Area <i>(sq.m.)</i>	Approx. Covered Floor Area <i>(sq.m.)</i>	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

SUMMARY FINANCIAL INFORMATION

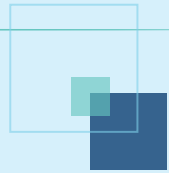
The summary of the results, the distributions and the assets and liabilities of the Group, as extracted from the published audited consolidated financial statements, is set out below.

Summary of the results and distributions

	Year ended 31st December, 2021 HK\$'000	Year ended 31st December, 2020 HK\$'000	Year ended 31st December, 2019 HK\$'000	Year ended 31st December, 2018 HK\$'000	Year ended 31st December, 2017 HK\$'000
Gross rental and hotel revenue	593,544	871,398	975,632	1,021,939	957,773
Net rental and hotel income	578,916	858,099	956,023	990,606	927,141
Profit/(Loss) before tax and distributions to Unitholders	631,731	(2,222,407)	(2,017,851)	2,351,413	2,594,515
Profit/(Loss) for the year, before distributions to Unitholders	577,087	(2,309,806)	(2,102,262)	2,251,664	2,488,325
Distributable income for the year attributable to Unitholders	310,848	491,355	445,220	489,223	473,038
Total distributions per Unit	HK\$0.086	HK\$0.136	HK\$0.124	HK\$0.150	HK\$0.145

Summary of the assets and liabilities

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Non-current assets:					
Property, plant and equipment	575,000	543,000	614,000	709,000	656,000
Investment properties	22,149,000	21,829,000	24,517,000	26,994,000	25,136,000
Investment properties - right-of-use assets	—	—	21,787	—	—
Finance lease receivables	13,819	1,584	—	—	—
Current assets	174,656	361,518	217,463	278,841	166,305
Total assets	22,912,475	22,735,102	25,370,250	27,981,841	25,958,305
Current liabilities	331,129	4,864,557	883,905	590,535	2,990,055
Non-current liabilities	10,434,435	5,939,685	9,815,252	10,076,790	7,483,592
Total liabilities	10,765,564	10,804,242	10,699,157	10,667,325	10,473,647
Net assets attributable to Unitholders	12,146,911	11,930,860	14,671,093	17,314,516	15,484,658
Net asset value per Unit attributable to Unitholders	HK\$3.729	HK\$3.663	HK\$4.504	HK\$5.315	HK\$4.754



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