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## REGAL REAL ESTATE INVESTMENT TRUST

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 1881)

Managed by



### ANNOUNCEMENT OF 2020 INTERIM RESULTS

#### FINANCIAL AND BUSINESS HIGHLIGHTS

	Six months ended 30th June, 2020 (unaudited) HK\$ million	Six months ended 30th June, 2019 (unaudited) HK\$ million	% Change
Gross rental revenue	429.9	474.0	-9.3%
Gross hotel revenue	5.2	17.2	-69.8%
Net rental and hotel income	428.5	480.3	-10.8%
Loss for the period, before distribution to Unitholders*	(2,096.2)	(362.9)	-477.6%
Core operating profit, excluding fair value changes on investment properties	192.0	222.1	-13.6%
Distributable income for the period attributable to Unitholders	<u>215.5</u>	<u>231.6</u>	-7.0%
Distributable income per Unit	<u>HK\$0.066</u>	<u>HK\$0.071</u>	-7.0%
Distribution per Unit	<u>HK\$0.060</u>	<u>HK\$0.068</u>	-11.8%
	As at 30th June, 2020 (unaudited)	As at 31st Dec., 2019 (audited)	
Net Asset Value per Unit attributable to Unitholders	<u>HK\$3.791</u>	<u>HK\$4.504</u>	-15.8%

\* Includes revaluation deficit of HK\$2,288.2 million and HK\$585.1 million (after taking into account capital expenditures incurred) as a result of fair value changes on investment properties based on independent valuer appraisals as at 30th June, 2020 and 2019, respectively.

- Net rental and hotel income for the six months ended 30th June, 2020 amounted to HK\$428.5 million, a decrease of 10.8% from the same period in 2019.
- Loss for the period, before distribution to Unitholders, amounted to HK\$2,096.2 million, as compared to the loss of HK\$362.9 million for the corresponding period in 2019. Core operating profit, excluding fair value changes on the investment properties, for the period amounted to HK\$192.0 million, 13.6% below the HK\$222.1 million for the same period in 2019.
- Total distributable income for the period amounted to HK\$215.5 million, as compared to HK\$231.6 million attained for the corresponding period in 2019.
- Interim distribution for the period of HK\$0.060 per Unit (2019 interim distribution – HK\$0.068 per Unit).
- The hospitality industry in Hong Kong has been severely affected by COVID-19 pandemic crisis during the Interim Period, with overall visitor arrivals to Hong Kong having sharply declined by approximately 90% year-on-year.
- As the base rents for 2020 in the aggregate of HK\$710.0 million for the five Initial Hotels and HK\$41.0 million for each of the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel were determined by an independent professional property valuer in November 2019, before the outbreak of the pandemic, the rental revenue from these hotels in the Interim Period and, indeed, in the second half of 2020, is to a very significant extent sheltered from this adverse change in the market environment.
- The combined average occupancy of the five Initial Hotels was 37.4%, as compared to 86.3% for the same period last year, while their combined average room rate decreased by 35.2%. Consequently, their combined average RevPAR dropped by 71.9% year-on-year.
- The iclub Sheung Wan Hotel and iclub Fortress Hill Hotel attained a combined average occupancy rate of 67.5%, while their combined average room rate declined by 56.1%. Consequently, their combined average RevPAR reduced by 68.3% year-on-year.
- The iclub Ma Tau Wai Hotel, acquired in September 2017, is still within the initial 5-year lease term with escalating fixed rentals and yielded fixed rental receipts of HK\$30.6 million for the period.

- **The self-operated iclub Wan Chai Hotel maintained an average occupancy rate of 73.9% but the average room rate decreased by 61.6%, which resulted in its average RevPAR dropping by 70.0% year-on-year.**
- **The business outlook in Hong Kong for the second half of 2020 could not be optimistic and there will be downward pressure on the market rental packages of the five Initial Hotels and the two iclub Hotels for 2021 which, under the lease provisions, are to be determined by September 2020. However, in accordance with the terms of the leases for the five Initial Hotels, there is an aggregate minimum floor rent of HK\$400 million per annum, which provides some baseline protection to Regal REIT against further deterioration in the hospitality market.**
- **Moreover, Regal REIT has adequate available undrawn banking facilities that provide it with a very strong financial backing in this challenging environment.**
- **The REIT Manager will continue to work closely with the hotel manager in a concerted effort to steer through the challenges in these difficult times, with a view to keeping up the businesses and values of Regal REIT’s hotel portfolio.**

## **FINANCIAL RESULTS**

For the six months ended 30th June, 2020, Regal Real Estate Investment Trust (“**Regal REIT**”) recorded an unaudited consolidated loss before distribution to unitholders (the “**Unitholders**”) of HK\$2,096.2 million, as compared to the loss of HK\$362.9 million for the corresponding period in 2019. The loss recorded for the period from 1st January, 2020 to 30th June, 2020 (the “**Interim Period**”) was principally attributable to the reduction of HK\$2,288.2 million in the fair value of Regal REIT’s investment property portfolio, based on the market valuations appraised by its principal valuer as of 30th June, 2020, as compared to the last appraised value as of 31st December, 2019. For the corresponding period last year, a fair value loss of HK\$585.1 million was recorded. If these fair value changes are excluded, the core operating profit before distribution to Unitholders for the Interim Period would amount to HK\$192.0 million, approximately 13.6% below the HK\$222.1 million for the same period in 2019.

## **DISTRIBUTABLE INCOME AND INTERIM DISTRIBUTION FOR 2020**

Total distributable income for the Interim Period, after taking into account the various non-cash adjustments, amounted to HK\$215.5 million (equivalent to approximately HK\$0.066 per unit of Regal REIT (the “**Unit**”)), as compared to HK\$231.6 million (equivalent to approximately HK\$0.071 per Unit) attained for the corresponding period in 2019.

In accordance with Regal REIT’s policy of distributing no less than 90% of the distributable income, the directors (the “**Directors**”) of Regal Portfolio Management Limited (the “**REIT Manager**”) have declared an interim distribution of HK\$0.060 per Unit for the six months ended 30th June, 2020 (2019 interim distribution - HK\$0.068 per Unit), which represents a distribution ratio of approximately 90.7% for the Interim Period.

## **CLOSURE OF REGISTER OF UNITHOLDERS**

The Register of Unitholders will be closed from Wednesday, 9th September, 2020 to Monday, 14th September, 2020, both days inclusive, during which period no transfers of Units will be effected. In order to qualify for the interim distribution for 2020, 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 Tuesday, 8th September, 2020. The relevant distribution warrants are expected to be despatched on or about 24th September, 2020.

## **HOTEL MARKET AND BUSINESS REVIEW**

Based on a recent research report by the World Bank Group, the new coronavirus COVID-19 has triggered a global crisis and is leading to steep recessions in many countries. The output of the advanced economies is now projected to slow dramatically, reversing from an expansion of 1.6% in 2019 to a contraction of 7.0% in 2020. The baseline forecast for the global Gross Domestic Product (GDP) envisions a 5.2% contraction in 2020, which will be the deepest global recession in eight decades, despite unprecedented policy support.

Due to the enforcement of lockdowns in China in the first two months of this year to combat the spread of the COVID-19 coronavirus, the GDP of China in the first quarter of 2020 dropped by 6.8% year-on-year. With the gradual revival of normal economic activities in the Mainland since March, the adverse impact of the pandemic on its economy became slowly under control and, in the second quarter, the GDP of China was able to regain growth of 3.2%, as compared with the same quarter in 2019. Overall, for the first half of 2020, the GDP of China only receded by 1.6%.

Amidst this global crisis, Hong Kong's economy plummeted in the first six months of 2020. In the second quarter this year, the seasonally adjusted unemployment rate in Hong Kong rose to 6.2%, the highest in more than 15 years, and the GDP in real terms of Hong Kong contracted by 9.0% year-on-year.

As a preventive measure, most countries have put up travel and quarantine restrictions which substantially brought international traffic, business and tourist, to a virtual halt. For the period under review, there were only about 3.5 million travellers visiting Hong Kong, of which 2.7 million were from Mainland China, both reflecting a sharp decline of approximately 90% year-on-year. These visitor arrivals were, in fact, primarily those that came in January and February this year and during the past few months, the number of visitors to Hong Kong was minimal.

Based on information published by the Hong Kong Tourism Board, the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June was down from 90% in 2019 to 39% in 2020, while the average achieved room rate also shrank by 31.2%, thus resulting in a reduction in the average Revenue per Available Room (RevPAR) of 70.2% year-on-year.

The five Initial Hotels in Hong Kong are under leases to a wholly-owned subsidiary of Regal Hotels International Holdings Limited (“**RHIHL**”), the immediate listed holding company of Regal REIT, which are operated as full-service hotels under the “Regal” brand. The combined average occupancy of the five Initial Hotels during the Interim Period was 37.4%, as compared to 86.3% for the same period last year, while their combined average room rate decreased by 35.2%. Consequently, their combined average RevPAR dropped by 71.9% year-on-year. As the base rent for the five Initial Hotels for 2020 was determined by an independent professional property valuer at an aggregate amount of HK\$710.0 million in November 2019, before the outbreak of the pandemic, the rental revenue from these hotels in the Interim Period and, indeed, in the second half of 2020, is to a very significant extent sheltered from this adverse change in the market environment.

Apart from the Initial Hotels, Regal REIT also owns four other hotel properties in Hong Kong, all under the “iclub by Regal” brand, a special line of hotels developed by the RHIHL Group, which are typically positioned as upscale select-service hotels.

The iclub Wan Chai Hotel was the first iclub hotel in Hong Kong and has been self-operated by Regal REIT since 2011. During the Interim Period, it maintained an average occupancy rate of 73.9%, which was 20.6 percentage points lower than the same period last year. However, as its average room rate also decreased by 61.6%, its average RevPAR has dropped by 70.0% year-on-year. As a result, the net property income (the “**NPI**”) from this property, including the lease rentals from the non-hotel portions, was much lower than the comparative amount last year.

The other three iclub hotels, namely, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel have also been leased to the same RHIHL lessee. The base rents for 2020 for the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel were likewise determined in November 2019 by the independent professional property valuer in accordance with the terms of the leases, each at HK\$41.0 million. During the Interim Period, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel attained a combined average occupancy rate of 67.5%, a decrease of 25.9 percentage points below the same period in 2019. Meanwhile, their combined average room rate declined by 56.1%, resulting in a reduction in their combined average RevPAR of 68.3% year-on-year. On the other hand, the iclub Ma Tau Wai Hotel, which was acquired by Regal REIT in September 2017, is still within the initial 5-year lease term with escalating fixed rentals and yielded fixed rental receipts of HK\$30.6 million for the Interim Period.

## **BUSINESS OUTLOOK**

Despite the various travel and quarantine restrictions as well as the enforcement of regulations restricting group gatherings and social-distancing rules, local COVID-19 infected cases in Hong Kong rose sharply since the beginning of July 2020. Unless and until the further spread of the COVID-19 virus and the number of local infected cases are under control, the timing on the relaxation of the control measures and the re-opening of Hong Kong to international passenger traffic is yet uncertain. Added with the threats arising from the increased international tensions over different political and economic issues, some of which directly affecting Hong Kong, the business outlook in Hong Kong for the second half of 2020 could not be optimistic.

Accordingly, there will be downward pressure on the market rental packages of the five Initial Hotels and the two iclub Hotels for 2021 which, under the lease provisions, are to be determined by September 2020. However, in accordance with the terms of the leases for the five Initial Hotels, there is an aggregate minimum floor rent of HK\$400 million per annum, which provides some baseline protection to Regal REIT against further deterioration in the hospitality market. Moreover, Regal REIT has adequate available undrawn banking facilities that provide it with a very strong financial backing in this challenging environment.

On 30th June, 2020, the Standing Committee of the National People's Congress of China passed the National Security Law for Hong Kong. It is hoped that this new law will help to put an end to the violent social activities in Hong Kong since June 2019 and boost general investors' confidence, both locally and internationally, in the future of Hong Kong.

The REIT Manager will continue to work closely with the hotel manager in a concerted effort to steer through the challenges in these difficult times, with a view to keeping up the businesses and values of Regal REIT's hotel portfolio.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Operational Review**

During the Interim Period, Regal REIT received aggregate base rent of HK\$355.0 million for the leasing of the Initial Hotels. For the period under review, as the aggregate NPI from hotel operations of the Initial Hotels was only HK\$7.7 million, no variable rent was earned for the period.

For the six months ended 30th June, 2020, iclub Wan Chai Hotel – hotel portion contributed gross hotel revenue of HK\$5.2 million and incurred operating costs and expenses amounting to HK\$4.8 million. For the non-hotel portions comprising retail and commercial premises, rental income of HK\$2.3 million was generated under the leases for the period under review. As a result, the NPI generated from the property amounted to HK\$2.4 million for the Interim Period.

During the Interim Period, as the NPI from hotel operations of the iclub Sheung Wan Hotel was HK\$3.0 million, Regal REIT received base rent of HK\$20.5 million for the leasing of this hotel and no variable rent was earned.

During the Interim Period, as the NPI from hotel operations of the iclub Fortress Hill Hotel was HK\$2.1 million, Regal REIT received base rent of HK\$20.5 million for the leasing of this hotel and no variable rent was earned.



For the period ended 30th June, 2020, Regal REIT earned fixed rental income of HK\$30.5 million, recognised on the straight-line basis for the leasing of the iclub Ma Tau Wai Hotel, while cash receipts of HK\$30.6 million were recorded based on the escalating fixed rental amounts for the first five years.

## **Financial Review**

As at 30th June, 2020, Regal REIT's loan facilities aggregating HK\$11,268.0 million, with varying maturity terms, were comprised of: (a) term and revolving loan facilities of up to HK\$5,500.0 million secured by four of the five Initial Hotels; (b) a term loan facility of HK\$3,000.0 million secured by Regal Kowloon Hotel; (c) a term loan facility of HK\$405.0 million secured by the iclub Wan Chai Hotel; (d) term and revolving loan facilities of up to HK\$790.0 million secured by the iclub Sheung Wan Hotel; (e) term and revolving loan facilities of up to HK\$825.0 million secured by the iclub Fortress Hill Hotel; and (f) a term loan facility of HK\$748.0 million secured by the iclub Ma Tau Wai Hotel.

On 12th September, 2016, Regal REIT, through wholly-owned subsidiaries, entered into a facility agreement for a term loan facility of HK\$4,500.0 million and a revolving loan facility of up to HK\$1,000.0 million (the “**2016 IH Facilities**”), for a term of five years to September 2021. The 2016 IH Facilities are secured by four of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and Regal Riverside Hotel. The 2016 IH Facilities carry Hong Kong Interbank Offered Rate (HIBOR)-based interest margin and, as at 30th June, 2020, had an outstanding amount of HK\$4,500.0 million, representing the full amount of the term 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 a HIBOR-based interest margin and has a term of five years to March 2023. As at 30th June, 2020, the outstanding amount of the 2018 RKH Facility was HK\$3,000.0 million, representing the full amount of the term loan facility.

A term loan facility agreement for a principal amount of HK\$440.0 million (the “**2014 WC Facility**”), with a term of five years to December 2019, was entered into by a wholly-owned subsidiary of Regal REIT on 22nd December, 2014. The 2014 WC Facility was secured by the iclub Wan Chai Hotel and bore a HIBOR-based interest margin throughout its term. On 19th July, 2019, a new 5-year term loan facility of HK\$440.0 million (the “**2019 WC Facility**”) was granted by the same bank to early refinance the 2014 WC Facility. Most of the key terms remain unchanged while the new loan facility bears a lower interest margin with maturity in July 2024. After a prepayment of HK\$35.0 million, as at 30th June, 2020, the facility and the outstanding amount on the 2019 WC Facility was HK\$405.0 million.

On 19th October, 2018, Regal REIT, through a wholly-owned subsidiary, arranged a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving loan facility of up to HK\$158.0 million, secured by the iclub Sheung Wan Hotel (the “**2018 SW Facilities**”). The 2018 SW Facilities bears a HIBOR-based interest margin with five years term to October 2023. As at 30th June, 2020, the utilised amount of the 2018 SW Facilities was HK\$632.0 million, representing the full amount of the term loan facility.

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, secured by the iclub Fortress Hill Hotel (the “**2018 FH Facilities**”). The 2018 FH Facilities bears a HIBOR-based interest margin and has a term of five years to November 2023. As at 30th June, 2020, the outstanding amount of the 2018 FH Facilities was HK\$660.0 million, representing the full amount of the term loan facility.

On 4th September, 2017, Regal REIT, through a wholly-owned subsidiary, arranged a term loan facility of HK\$748.0 million, secured by the iclub Ma Tau Wai Hotel (the “**2017 MTW Facility**”) with a term of three years to September 2020 and bearing HIBOR-based interest margin. As at 30th June, 2020, the outstanding amount of the 2017 MTW Facility was HK\$748.0 million, representing the full amount of the term loan facility. Arrangement is being made with the existing lending banks to refinance the 2017 MTW Facility into a new loan facility to mature in 2023.

During the Interim Period, the HIBOR market experienced high volatility, while, in general, it was a downward trend. The 1-month HIBOR rate fluctuated within a wide range of around 2.268% per annum at the high end to around 0.435% per annum at the low end and was at 0.442% per annum as of 30th June, 2020. During the Interim Period, the interest cost components in respect of all the loan facilities are subject to floating HIBOR-based interest rates. The REIT Manager is continuously monitoring the interest rate trends and assessing any needs to contain or hedge the exposure of the finance costs and any impact that may arise from interest rate hikes.

As at 30th June, 2020, the gearing ratio of Regal REIT was 43.3% (30th June, 2019: 36.5%), being the gross amount of the outstanding loans aggregating HK\$9,945.0 million, which takes into account: (a) the 2016 IH Facilities of HK\$4,500.0 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\$632.0 million; (e) the 2018 FH Facilities of HK\$660.0 million; and (f) the 2017 MTW Facility of HK\$748.0 million, as compared to the total gross assets of Regal REIT of HK\$22,975.5 million. The gearing ratio is below the maximum 45% permitted under the Code on Real Estate Investment Trusts (the “**REIT Code**”).

As at 30th June, 2020, Regal REIT had a total of HK\$52.6 million in unrestricted and HK\$71.8 million in restricted cash balances and bank deposits. 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 30th June, 2020, all nine Regal REIT’s properties with an aggregate carrying value of HK\$22,810.0 million were pledged to secure bank loan facilities granted to Regal REIT.

### **Net Assets Attributable to Unitholders**

As at 30th June, 2020, net assets attributable to Unitholders amounted to HK\$12,348.4 million (31st December, 2019: HK\$14,671.1 million), representing net asset value (“**NAV**”) per Unit attributable to Unitholders of HK\$3.791, which was below the NAV of HK\$4.504 per Unit as at 31st December, 2019 mainly due to the decrease in the fair value of the property portfolio.

## Valuation of the Property Portfolio

As at 30th June, 2020, Regal REIT's overall property portfolio was valued at HK\$22,810.0 million (31st December, 2019: HK\$25,131.0 million). The property portfolio is comprised of (i) the five Initial Hotels, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel, the iclub Ma Tau Wai Hotel and the non-hotel portions of the iclub Wan Chai Hotel that are classified as investment properties; and (ii) the owner-operated hotel portion of the iclub Wan Chai Hotel which is classified as property, plant and equipment.

Valuations of the properties as at 30th June, 2020 and 31st December, 2019 are tabulated below.

<b>Property</b>	<b>Location</b>	<b>30 Jun 2020 Valuation HK\$ million</b>	<b>31 Dec 2019 Valuation HK\$ million</b>	<b>% Change</b>
<i>Initial Hotels:</i>				
Regal Airport Hotel	Lantau Island	2,495	2,915	-14.4%
Regal Hongkong Hotel	HK Island	3,884	4,262	-8.9%
Regal Kowloon Hotel	Kowloon	5,280	5,740	-8.0%
Regal Oriental Hotel	Kowloon	1,677	1,860	-9.8%
Regal Riverside Hotel	New Territories	4,655	5,084	-8.4%
		<u>17,991</u>	<u>19,861</u>	-9.4%
<i>iclub Hotels:</i>				
iclub Wan Chai Hotel	HK Island	751	828	-9.3%
iclub Sheung Wan Hotel	HK Island	1,410	1,530	-7.8%
iclub Fortress Hill Hotel	HK Island	1,408	1,532	-8.1%
iclub Ma Tau Wai Hotel	Kowloon	1,250	1,380	-9.4%
<b>Overall property portfolio</b>		<u><u>22,810</u></u>	<u><u>25,131</u></u>	-9.2%

The valuations of the property portfolio as at 30th June, 2020 were conducted by CBRE Limited ("CBRE"), the principal valuer of Regal REIT appointed by the trustee of Regal REIT with a term of three years commencing in December 2018 pursuant to the provisions of the REIT Code.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June, 2020

	Notes	Six months ended 30th June, 2020 (unaudited) HK\$'000	Six months ended 30th June, 2019 (unaudited) HK\$'000
<b>Revenue</b>			
Gross rental revenue	5	429,882	474,008
Gross hotel revenue	5	5,208	17,218
		<u>435,090</u>	<u>491,226</u>
Property and hotel operating expenses		<u>(6,590)</u>	<u>(10,963)</u>
Net rental and hotel income	5	428,500	480,263
Interest income		954	1,075
Depreciation	10	(4,291)	(4,753)
Fair value changes on investment properties	11	(2,288,193)	(585,092)
Fair value changes on investment properties – right-of-use assets		–	(4,532)
REIT Manager fees	6	(50,943)	(56,140)
Trust, professional and other expenses		(5,765)	(4,385)
Finance costs – excluding distribution to Unitholders	7	<u>(138,503)</u>	<u>(144,613)</u>
<b>Loss before tax and distribution to Unitholders</b>		<b>(2,058,241)</b>	<b>(318,177)</b>
Income tax expense	8	<u>(37,968)</u>	<u>(44,768)</u>
<b>Loss for the period, before distribution to Unitholders</b>		<b>(2,096,209)</b>	<b>(362,945)</b>
Finance costs – distribution to Unitholders		<u>(182,416)</u>	<u>(247,565)</u>
<b>Loss for the period, after distribution to Unitholders</b>		<b><u>(2,278,625)</u></b>	<b><u>(610,510)</u></b>
<b>Loss per Unit attributable to Unitholders</b>			
Basic and diluted	9	<u><u>HK\$(0.644)</u></u>	<u><u>HK\$(0.111)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2020

		Six months ended 30th June, 2020 (unaudited) HK\$'000	Six months ended 30th June, 2019 (unaudited) HK\$'000
<b>Loss for the period, before distribution to Unitholders</b>		<b>(2,096,209)</b>	<b>(362,945)</b>
<b>Other comprehensive loss</b>			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Loss on revaluation of property	10	(52,764)	(10,411)
Income tax effect	16	8,706	1,718
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		<u>(44,058)</u>	<u>(8,693)</u>
<b>Other comprehensive loss for the period, net of tax</b>		<b>(44,058)</b>	<b>(8,693)</b>
<b>Total comprehensive loss for the period, before distribution to Unitholders</b>		<b><u>(2,140,267)</u></b>	<b><u>(371,638)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2020

	Notes	30th June, 2020 (unaudited) HK\$'000	31st December, 2019 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	557,000	614,000
Investment properties	11	22,253,000	24,517,000
Investment properties – right-of-use assets	11	–	21,787
Finance lease receivables		6,723	–
Total non-current assets		22,816,723	25,152,787
<b>Current assets</b>			
Accounts receivable	12	10,426	10,753
Prepayments, deposits and other receivables		7,397	6,065
Due from related companies		720	48
Tax recoverable		5,729	4,465
Finance lease receivables		10,101	–
Restricted cash		71,793	75,977
Cash and cash equivalents		52,591	120,155
Total current assets		158,757	217,463
<b>Total assets</b>		<b>22,975,480</b>	<b>25,370,250</b>
<b>Current liabilities</b>			
Accounts payable	13	37,850	41,332
Deposits received		2,483	2,926
Due to related companies		748	666
Other payables and accruals		21,025	40,556
Contract liabilities		451	392
Interest-bearing bank borrowings		747,800	747,241
Lease liabilities		10,101	9,985
Tax payable		14,740	40,807
Total current liabilities		835,198	883,905
<b>Net current liabilities</b>		<b>(676,441)</b>	<b>(666,442)</b>
<b>Total assets less current liabilities</b>		<b>22,140,282</b>	<b>24,486,345</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)***As at 30th June, 2020*

	Notes	30th June, 2020 (unaudited) HK\$'000	31st December, 2019 (audited) HK\$'000
<b>Non-current liabilities, excluding net assets attributable to Unitholders</b>			
Interest-bearing bank borrowings		9,158,894	9,184,192
Lease liabilities		6,723	11,802
Deposits received		433	—
Deferred tax liabilities	16	625,822	619,258
Total non-current liabilities		9,791,872	9,815,252
<b>Total liabilities, excluding net assets attributable to Unitholders</b>		<b>10,627,070</b>	<b>10,699,157</b>
<b>Net assets attributable to Unitholders</b>		<b>12,348,410</b>	<b>14,671,093</b>
<b>Number of Units in issue</b>	14	<b>3,257,431,189</b>	<b>3,257,431,189</b>
<b>Net asset value per Unit attributable to Unitholders</b>	15	<b>HK\$3.791</b>	<b>HK\$4.504</b>



## DISTRIBUTION STATEMENT

For the six months ended 30th June, 2020

	Six months ended 30th June, 2020 (unaudited) HK\$'000	Six months ended 30th June, 2019 (unaudited) HK\$'000
<b>Loss for the period, before distribution to Unitholders</b>	<b>(2,096,209)</b>	<b>(362,945)</b>
Adjustments:		
Difference in accounting rental income and contractual cash rental income	101	(1,432)
Amounts set aside for the furniture, fixtures and equipment reserve <sup>(d)</sup>	(6,435)	(20,629)
Amortisation of debt establishment costs	10,261	10,199
Fair value changes on investment properties	2,288,193	585,092
Depreciation	4,291	4,753
Deferred tax charge	15,270	16,520
<b>Distributable income for the period <sup>(a)</sup></b>	<b>215,472</b>	<b>231,558</b>
<b>Distribution per Unit <sup>(a), (b) &amp; (c)</sup></b>	<b>HK\$0.060</b>	<b>HK\$0.068</b>

Notes:

- (a) Pursuant to the Trust Deed, Regal REIT is required to ensure that the total amount distributed to Unitholders shall not be less than 90% of Regal REIT's total distributable income for each financial year and the current policy of the REIT Manager is to comply with such requirement.

The amount of any distribution for the interim period of each financial year is at the discretion of the REIT Manager. The REIT Manager has resolved to make an interim distribution of HK\$0.060 per Unit for the six months ended 30th June, 2020 (six months ended 30th June, 2019: HK\$0.068 per Unit).

- (b) Pursuant to the Trust Deed, the REIT Manager determines the date (the “**Record Date**”) in respect of each distribution period for the purpose of establishing Unitholder entitlements to distributions. The Record Date has been set as 14th September, 2020 in respect of the interim distribution for the six months ended 30th June, 2020. The interim distribution will be paid out to Unitholders on or about 24th September, 2020.
- (c) The interim distribution of HK\$0.060 per Unit for the six months ended 30th June, 2020, involving a total distribution of HK\$195.4 million, was resolved and declared by the REIT Manager on 25th August, 2020. Accordingly, the distribution is not reflected as a distribution payable in the condensed consolidated financial statements and will be reflected in the consolidated financial statements for the year ending 31st December, 2020.
- (d) Amounts set aside by Regal REIT for the furniture, fixtures and equipment reserve with respect to the Initial Hotels, iclub Wan Chai Hotel, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel aggregated HK\$6.4 million (six months ended 30th June, 2019: HK\$20.6 million).

## Notes:

### 1. GENERAL

Regal REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its Units were listed on The Stock Exchange of Hong Kong Limited on 30th March, 2007. Regal REIT is governed by a trust deed dated 11th December, 2006 (as amended by the first supplemental trust deed dated 2nd March, 2007, the second supplemental trust deed dated 15th May, 2008, the third supplemental trust deed dated 8th May, 2009, the fourth supplemental trust deed dated 23rd July, 2010, the fifth supplemental trust deed dated 3rd May, 2011, the sixth supplemental trust deed dated 21st July, 2011 and the seventh supplemental trust deed dated 14th April, 2015) constituting Regal REIT (the “**Trust Deed**”) and the REIT Code.

The principal activity of Regal REIT and its subsidiaries (collectively, the “**Group**”) is to own and invest in income-producing hotels, serviced apartments or commercial properties (including office premises) with the objectives of producing stable and growing distributions to Unitholders and to achieve long-term growth in the net asset value per Unit.

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. In addition, the condensed consolidated financial statements include applicable disclosures required by the REIT Code issued by the Securities and Futures Commission of Hong Kong.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for property, plant and equipment, investment properties and investment properties – right-of-use assets which have been measured at fair value. The condensed consolidated financial statements are presented in Hong Kong dollars, the functional currency of Regal REIT, and all values are rounded to the nearest thousand except when otherwise indicated.

As at 30th June, 2020, the Group's current liabilities exceeded its current assets by HK\$676,441,000. The net current liabilities position was mainly due to the outstanding loan under the 2017 MTW Facility in the principal amount of HK\$748,000,000 which will be expiring in September 2020 and has been classified under current liabilities as at the end of the reporting period. Taking into account the current available banking facilities, the refinancing arrangement and the stable operating cash inflow from rental income, the REIT Manager considers the Group has adequate resources to meet its liabilities, commitments and funding requirements as and when they fall due within one year from the end of the reporting period. Accordingly, the REIT Manager continues to adopt the going concern basis in preparing the condensed consolidated financial statements.

### **3. ACCOUNTING POLICIES AND ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2020.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Other than as explained below regarding the impact of Amendments to HKAS 1 and HKAS 8 *Definition of Material*, the revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of Amendments to HKAS 1 and HKAS 8 are described below.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

#### 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 six months ended 30th June, 2020 are as follows:

	<b>Hotel Properties (unaudited) HK\$'000</b>	<b>Mixed Use Property (unaudited) HK\$'000</b>	<b>Total (unaudited) HK\$'000</b>
<b>Segment revenue</b>			
Gross rental revenue	427,551	2,331	429,882
Gross hotel revenue	–	5,208	5,208
Total	<u>427,551</u>	<u>7,539</u>	<u>435,090</u>
<b>Segment results</b>	<u>426,158</u>	<u>2,342</u>	<u>428,500</u>
Fair value changes on investment properties	(2,268,193)	(20,000)	(2,288,193)
Depreciation	–	(4,291)	(4,291)
Interest income			954
REIT Manager fees			(50,943)
Trust, professional and other expenses			(5,765)
Finance costs – excluding distribution to Unitholders			<u>(138,503)</u>
Loss before tax and distribution to Unitholders			<u>(2,058,241)</u>

The operating segments of the Group for the six months ended 30th June, 2019 are as follows:

	<b>Hotel Properties (unaudited) HK\$'000</b>	<b>Mixed Use Property (unaudited) HK\$'000</b>	<b>Total (unaudited) HK\$'000</b>
<b>Segment revenue</b>			
Gross rental revenue	470,405	3,603	474,008
Gross hotel revenue	–	17,218	17,218
Total	<u>470,405</u>	<u>20,821</u>	<u>491,226</u>
<b>Segment results</b>	<u>469,046</u>	<u>11,217</u>	480,263
Fair value changes on investment properties	(585,092)	–	(585,092)
Fair value changes on investment properties – right-of-use assets	(4,532)	–	(4,532)
Depreciation	–	(4,753)	(4,753)
Interest income			1,075
REIT Manager fees			(56,140)
Trust, professional and other expenses			(4,385)
Finance costs – excluding distribution to Unitholders			<u>(144,613)</u>
Loss before tax and distribution to Unitholders			<u>(318,177)</u>

#### **Segment assets and liabilities**

As at 30th June, 2020, the Group's segment assets, comprised of the aggregate fair values of the investment properties, property, plant and equipment and investment properties – right-of-use assets in the hotel properties segment and the mixed use property segment, amounted to HK\$22,059,000,000 (31st December, 2019: HK\$24,324,787,000) and HK\$751,000,000 (31st December, 2019: HK\$828,000,000), respectively.

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

## Other segment information

### Six months ended 30th June, 2020

	<b>Hotel Properties (unaudited) HK\$'000</b>	<b>Mixed Use Property (unaudited) HK\$'000</b>	<b>Total (unaudited) HK\$'000</b>
Capital expenditures	<u>20,643</u>	<u>55</u>	<u>20,698</u>

### Six months ended 30th June, 2019

	<b>Hotel Properties (unaudited) HK\$'000</b>	<b>Mixed Use Property (unaudited) HK\$'000</b>	<b>Total (unaudited) HK\$'000</b>
Capital expenditures	<u>23,092</u>	<u>164</u>	<u>23,256</u>

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

## Information about a major customer

For the six months ended 30th June, 2020, revenue of HK\$427,551,000 (six months ended 30th June, 2019: HK\$470,405,000) was derived from the lease of hotel properties to a single lessee which is a related company.

## Geographical information

The Group's investment properties, property, plant and equipment and investment properties – right-of-use assets are all located in Hong Kong.

## 5. NET RENTAL AND HOTEL INCOME

	Notes	Six months ended 30th June, 2020 (unaudited) HK\$'000	Six months ended 30th June, 2019 (unaudited) HK\$'000
<b>Gross rental revenue</b>			
Rental income			
Initial Hotels	(a)	355,000	388,000
iclub Wan Chai Hotel – Non-hotel portions		2,331	3,603
iclub Sheung Wan Hotel	(b)	20,500	23,000
iclub Fortress Hill Hotel	(c)	20,500	23,000
iclub Ma Tau Wai Hotel	(d)	30,499	30,332
Other income	(f)	1,052	6,073
		<u>429,882</u>	<u>474,008</u>
Property operating expenses		<u>(1,742)</u>	<u>(1,677)</u>
<b>Net rental income</b>		<u>428,140</u>	<u>472,331</u>
<b>Gross hotel revenue</b>		5,208	17,218
Hotel operating expenses		<u>(4,848)</u>	<u>(9,286)</u>
<b>Net hotel income</b>		<u>360</u>	<u>7,932</u>
<b>Net rental and hotel income</b>		<u>428,500</u>	<u>480,263</u>
<b>Revenue from contracts with customers</b>			
Gross hotel revenue	(e)	<u>5,208</u>	<u>17,218</u>
<b>Revenue from other sources</b>			
Gross rental income		<u>429,882</u>	<u>474,008</u>

Notes:

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

	Six months ended 30th June, 2020 (unaudited) HK\$'000	Six months ended 30th June, 2019 (unaudited) HK\$'000
Base rent	355,000	388,000
Variable rent	–	–
	<u>355,000</u>	<u>388,000</u>



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

	<b>Six months ended 30th June, 2020 (unaudited) HK\$'000</b>	Six months ended 30th June, 2019 (unaudited) HK\$'000
Base rent	20,500	23,000
Variable rent	—	—
	<u>20,500</u>	<u>23,000</u>

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

	<b>Six months ended 30th June, 2020 (unaudited) HK\$'000</b>	Six months ended 30th June, 2019 (unaudited) HK\$'000
Base rent	20,500	23,000
Variable rent	—	—
	<u>20,500</u>	<u>23,000</u>

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

	<b>Six months ended 30th June, 2020 (unaudited) HK\$'000</b>	Six months ended 30th June, 2019 (unaudited) HK\$'000
Contractual cash rental income	30,600	28,900
Difference in accounting rental income and contractual cash rental income	(101)	1,432
	<u>30,499</u>	<u>30,332</u>

(e) Gross hotel revenue is recognised over time.

(f) During the period, the sublease of premises (previously classified as the investment properties — right-of-use assets) was extended to 31st December, 2030 and hence, was reassessed and classified as finance lease. Accordingly, the other income was reduced to HK\$1,052,000 as the lease income of HK\$5,191,000 received was not recognised in profit or loss in the current period.

## 6. REIT MANAGER FEES

	<b>Six months ended 30th June, 2020 (unaudited) HK\$'000</b>	Six months ended 30th June, 2019 (unaudited) HK\$'000
Base fees	37,919	41,628
Variable fees	13,024	14,512
	<u>50,943</u>	<u>56,140</u>

For the financial years 2020 and 2019, the REIT Manager elected to receive its base fees and variable fees in the form of cash.

## 7. FINANCE COSTS – EXCLUDING DISTRIBUTION TO UNITHOLDERS

	<b>Six months ended 30th June, 2020 (unaudited) HK\$'000</b>	Six months ended 30th June, 2019 (unaudited) HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest expense on interest-bearing bank borrowings	126,105	132,148
Amortisation of debt establishment costs	10,261	10,199
Interest expense on lease liabilities	228	361
	<u>136,594</u>	<u>142,708</u>
Others	1,909	1,905
	<u>138,503</u>	<u>144,613</u>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June, 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	<b>Six months ended 30th June, 2020 (unaudited) HK\$'000</b>	Six months ended 30th June, 2019 (unaudited) HK\$'000
Current	22,698	28,248
Deferred	15,270	16,520
Total tax charge for the period	<u>37,968</u>	<u>44,768</u>

## 9. LOSS PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The calculation of the basic loss per Unit attributable to Unitholders is based on the loss for the period before distribution to Unitholders of HK\$2,096,209,000 (six months ended 30th June, 2019: HK\$362,945,000) and the weighted average of 3,257,431,189 Units (six months ended 30th June, 2019: 3,257,431,189 Units) in issue during the period. The basic loss per Unit attributable to Unitholders for the period amounted to HK\$0.644 (six months ended 30th June, 2019: HK\$0.111).

The diluted loss per Unit attributable to Unitholders is the same as the basic loss per Unit attributable to Unitholders as there were no dilutive instruments in issue during the period (six months ended 30th June, 2019: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Authorised investments</b>
	<b>Hotel properties</b>
	<b>HK\$'000</b>
At 1st January, 2019	709,000
Additions	787
Deficit on revaluation	(86,337)
Depreciation provided during the year	(9,450)
At 31st December, 2019 (audited) and 1st January, 2020	<b>614,000</b>
Additions	<b>55</b>
Deficit on revaluation	<b>(52,764)</b>
Depreciation provided during the period	<b>(4,291)</b>
At 30th June, 2020 (unaudited)	<b>557,000</b>

The Group's property, plant and equipment represents the value of land and building together with furniture, fixtures and equipment of iclub Wan Chai Hotel for the hotel portion. The REIT Manager has determined that the property, plant and equipment constitute a single class of asset (i.e. hotel property) based on the nature, characteristics and risks of the property. The property, plant and equipment was valued by CBRE, an independent property valuer and the principal valuer of Regal REIT, at HK\$557,000,000 as at 30th June, 2020 (31st December, 2019: HK\$614,000,000). A revaluation deficit of HK\$52,764,000 (31st December, 2019: HK\$86,337,000) resulting from the valuation as at 30th June, 2020 has been charged to other comprehensive loss.

The carrying amount of the Group's property, plant and equipment would have been HK\$392,075,000 (31st December, 2019: HK\$395,200,000) had such assets been stated in the condensed consolidated financial statements at cost less accumulated depreciation.

## 11. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES – RIGHT-OF-USE ASSETS

	Right-of-use assets HK\$'000	Authorised investments		Total HK\$'000
		Hotel properties HK\$'000	Commercial properties HK\$'000	
At 31st December, 2018	–	26,773,000	221,000	26,994,000
Effect of adoption of HKFRS 16	23,199	–	–	23,199
At 1st January, 2019 (restated)	23,199	26,773,000	221,000	27,017,199
Additions	8,026	–	–	8,026
Fair value changes	(9,438)	(2,515,605)	(7,000)	(2,532,043)
Capital expenditures for the year	–	45,605	–	45,605
At 31st December, 2019 (audited) and 1st January, 2020	<b>21,787</b>	<b>24,303,000</b>	<b>214,000</b>	<b>24,538,787</b>
Derecognised during the period	(21,787)	–	–	(21,787)
Fair value changes	–	(2,268,193)	(20,000)	(2,288,193)
Capital expenditures for the period	–	20,643	–	20,643
Other addition	–	3,550	–	3,550
At 30th June, 2020 (unaudited)	–	<b>22,059,000</b>	<b>194,000</b>	<b>22,253,000</b>

The Group's investment properties were valued by CBRE at HK\$22,253,000,000 as at 30th June, 2020 (31st December, 2019: HK\$24,517,000,000).

## 12. ACCOUNTS RECEIVABLE

	30th June, 2020 (unaudited) HK\$'000	31st December, 2019 (audited) HK\$'000
Difference in accounting rental income and contractual cash rental income	10,083	10,184
Other accounts receivable	343	569
	<b>10,426</b>	<b>10,753</b>

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

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

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

### 13. ACCOUNTS PAYABLE

	<b>30th June, 2020 (unaudited) HK\$'000</b>	31st December, 2019 (audited) HK\$'000
Amounts due to related companies	<b>37,251</b>	41,117
Other accounts payable	<b>599</b>	215
	<b><u>37,850</u></b>	<u>41,332</u>

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

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

### 14. NUMBER OF UNITS IN ISSUE

	<b>Number of Units</b>	
	<b>30th June, 2020 (unaudited)</b>	31st December, 2019 (audited)
At beginning and end of the period/year	<b><u>3,257,431,189</u></b>	<u>3,257,431,189</u>

### 15. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per Unit attributable to Unitholders is calculated by dividing the net assets attributable to Unitholders as at 30th June, 2020 of HK\$12,348,410,000 (31st December, 2019: HK\$14,671,093,000) by the number of Units in issue of 3,257,431,189 (31st December, 2019: 3,257,431,189) as at that date.

## 16. DEFERRED TAX

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

	Fair value adjustments arising from revaluation of property, plant and equipment HK\$'000	Depreciation allowances in excess of related depreciation HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Total HK\$'000
Gross deferred tax assets/(liabilities) at 1st January, 2019	(50,853)	(560,809)	11,359	(600,303)
Deferred tax credited to other comprehensive loss during the year	14,246	–	–	14,246
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	505	(32,641)	(1,065)	(33,201)
Gross deferred tax assets/(liabilities) at 31st December, 2019 (audited)	<u>(36,102)</u>	<u>(593,450)</u>	<u>10,294</u>	<u>(619,258)</u>
Gross deferred tax assets/(liabilities) at 1st January, 2020	<b>(36,102)</b>	<b>(593,450)</b>	<b>10,294</b>	<b>(619,258)</b>
Deferred tax credited to other comprehensive loss during the period	<b>8,706</b>	–	–	<b>8,706</b>
Deferred tax credited/(charged) to the condensed consolidated statement of profit or loss during the period	<u>183</u>	<u>(15,150)</u>	<u>(303)</u>	<u>(15,270)</u>
Gross deferred tax assets/(liabilities) at 30th June, 2020 (unaudited)	<u>(27,213)</u>	<u>(608,600)</u>	<u>9,991</u>	<u>(625,822)</u>

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

## **EMPLOYEES**

Regal REIT is managed by the REIT Manager and DB Trustees (Hong Kong) Limited as the trustee of Regal REIT. By contracting out such services, Regal REIT does not employ any staff in its own right.

## **NEW UNITS ISSUED**

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

## **BUY-BACK, SALE OR REDEMPTION OF UNITS**

There were no buys-back, sales or redemptions of Units during the Interim Period.

## **CORPORATE GOVERNANCE**

The REIT Manager has adopted a compliance manual (the “**Compliance Manual**”) which sets out the key processes, systems and policies and procedures to guide operations and, thereby, set a high standard of corporate governance to ensure the relevant regulations and legislation are adhered to.

During the Interim Period, Regal REIT and the REIT Manager have complied with the provisions of the Compliance Manual, the Trust Deed and the REIT Code and the relevant provisions of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and, where applicable, the code provisions in Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **PUBLIC FLOAT**

As at 30th June, 2020, based on information that is publicly available to the REIT Manager and as reported to the Directors of the REIT Manager, more than 25% of the issued Units were held by independent public Unitholders.

## **REVIEW OF INTERIM RESULTS**

Regal REIT's condensed consolidated financial statements for the Interim Period have not been audited, but have been reviewed by Ernst & Young, the external auditors of Regal REIT, whose review report is contained in the Interim Report of Regal REIT for the six months ended 30th June, 2020 to be despatched to Unitholders.

The Disclosure Committee and the Audit Committee of the REIT Manager have reviewed Regal REIT's condensed consolidated financial statements for the Interim Period, including the accounting principles and practices adopted by Regal REIT, in conjunction with the external auditors of Regal REIT.

## **ISSUANCE OF INTERIM REPORT**

The Interim Report of Regal REIT for the Interim Period is expected to be despatched to Unitholders on or before 31st August, 2020.

By Order of the Board  
**Regal Portfolio Management Limited**  
**(as manager of Regal Real Estate Investment Trust)**  
**LO Yuk Sui**  
*Chairman*

Hong Kong, 25th August, 2020

*As at the date of this announcement, the Board of Directors of the REIT Manager comprises Mr. LO Yuk Sui as Chairman and Non-executive Director; Miss LO Po Man as Vice Chairman and Non-executive Director; Mr. Johnny CHEN Sing Hung and Mr. Simon LAM Man Lim as Executive Directors; Mr. Donald FAN Tung, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai as Non-executive Directors; and Mr. John William CRAWFORD, JP, Mr. Bowen Joseph LEUNG Po Wing, GBS, JP, Mr. Kai Ole RINGENSON and Hon. Abraham SHEK Lai Him, GBS, JP as Independent Non-executive Directors.*