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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



SUMMARY OF MARKET RENTAL PACKAGE OF ICLUB MA TAU WAI HOTEL FOR THE PERIOD FROM 4 SEPTEMBER 2022 TO 31 DECEMBER 2023

As disclosed in the Circular, the Lease Agreement in respect of the iclub Ma Tau Wai Hotel is for a term commencing from 4 September 2017 (the date of the Lease Agreement) and expiring on 3 September 2022 and may be extended for a further term commencing from 4 September 2022 to 31 December 2027 at the option of the Lessor. Pursuant to the Lease Agreement, the annual rent payable by the Lessee during the First Lease Period (commencing on 4 September 2017 and ending on 3 September 2022) was predetermined, whereas the annual rent payable by the Lessee in respect of the Second Lease Period (from 4 September 2022 to 31 December 2027) will be determined in accordance with annual rent reviews by a jointly appointed independent professional property valuer in each of the Lease Years within the Second Lease Period. In accordance with the Lease Agreement, the Valuer has been jointly appointed by the Lessor and the Lessee and instructed to conduct a rent review to determine the Market Rental Package in respect of the first Lease Year (from 4 September 2022 to 31 December 2023) within the Second Lease Period for the iclub Ma Tau Wai Hotel, which includes the amount of market rents (including Base Rent, Variable Rent and the Lessee's contribution to the FF&E Reserve) and the amount of the Security Deposit.

According to the 2022-2023 Market Rental Package Determination, the amount payable by the Lessee as Base Rent for the First Period of the 2022/23 Lease Year (4 September 2022 to 31 December 2022) (prorated from a Base Rent of HK\$27.0 million for the whole year of 2022) is HK\$8.775 million and the Second Period of the 2022/23 Lease Year (1 January 2023 to 31 December 2023) is HK\$30.0 million, respectively. For the first Lease Year of the Second Lease Period (4 September 2022 to 31 December 2023), the total amount of Base Rent is determined at HK\$38.775 million. To serve as comparison, the prorated Base Rent for the period from 4 September 2022 to 3 September 2023 (Comparative Period) is HK\$29.025 million and represents a decrease of 57.32% as compared with the fixed rent of HK\$68.0 million received for the 2021 Lease Year (4 September 2021 to 3 September 2022). For the 2022/23 Lease Year, the Valuer determined that no contribution by the Lessee to the FF&E Reserve will be required (for the year ended 31 December 2021, the Lessee had funded HK\$0.85 million of the actual costs on the FF&E). The Lessor will maintain the FF&E Reserve with an amount equivalent to 2% of the Total Hotel Revenue for each calendar month during the Second Lease Period. The Security Deposit comprised within the 2022-2023 Market Rental Package Determination is HK\$7.0 million (for the First Period of the 2022/23 Lease Year) and HK\$7.8 million (for the Second Period of the 2022/23 Lease Year), respectively, as compared with the Security Deposit of HK\$17.0 million currently paid under the 2021 Lease Year. Summaries of the 2022-2023 Market Rental Package Determination and the manner of payment of Base Rent, Variable Rent, Security Deposit and the Lessee's contribution to the FF&E Reserve according to the 2022-2023 Market Rental Package Determination are set out in this announcement, together with a comparison of the corresponding amounts and manner of payment in respect of the 2021 Lease Year.

The total distributable income (“**TDI**”) available for distribution to Unitholders and the distribution per Unit for each financial year is affected by various factors including, most importantly, the total rental and hotel income receivable by Regal REIT from all its hotel properties for such financial year. For the year ended 31 December 2021, the rental income of the iclub Ma Tau Wai Hotel was HK\$61.2 million, representing approximately 10.31% of the total rental and hotel income of Regal REIT in the same year. Although the REIT Manager believes there is room for improvement in the operating performance of the iclub Ma Tau Wai Hotel, particularly when the tourism market in Hong Kong revives after the COVID-19 pandemic is stabilised, the Base Rent for the 2022-2023 Market Rental Package is below the prevailing fixed rental level, which will, in turn, have a negative impact on the rental incomes in 2022 and 2023. However, the TDI may be subject to increase in the event that Variable Rent is receivable by the Lessor in the 2022/23 Lease Year. As at 31 December 2021, the valuation of the iclub Ma Tau Wai Hotel was HK\$1,250 million, representing 5.5% of the total valuation of HK\$22,724 million of Regal REIT's properties portfolio.

Given the variables involved in the determination of the Base Rent and Variable Rent from year to year, investors should exercise caution in dealing in the units of Regal REIT.

Pursuant to 5.2(f) of the REIT Code, the Valuer's Report on the 2022-2023 Market Rental Package is available for inspection by the public during normal office hours at the REIT Manager's place of business at Unit No. 2001, 20th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

The INEDs confirm that the rent review in respect of the 2022-2023 Market Rental Package Determination has been conducted in accordance with the terms of the Lease Agreement. The Lessee and the Hotel Manager are connected persons of Regal REIT.

A. BACKGROUND INFORMATION TO LEASE TERM AND RENTAL INCOME STRUCTURE

1. Lease Agreement

Reference is made to (a) the circular of Regal Real Estate Investment Trust ("**Regal REIT**") dated 30 June 2017 (the "**Circular**") in relation to (1) connected party transactions in relation to the Share Purchase Agreement to acquire the New Hotel; (2) continuing connected party transactions; and (3) extraordinary general meeting and closure of register of Unitholders; and (b) the announcements of Regal REIT dated 30 June 2017, 20 July 2017, 4 September 2017 and 29 December 2021, respectively. As disclosed in the Circular, the Lease Agreement in respect of the iclub Ma Tau Wai Hotel is for a term commencing from 4 September 2017 (the date of the Lease Agreement) and expiring on 3 September 2022 and may be extended for a further term commencing from 4 September 2022 to 31 December 2027 at the option of the Lessor. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

2. Rental Income Structure for the Lease Years from 4 September 2017 to 3 September 2022 (the "First Lease Period")

Pursuant to the Lease Agreement, during each of the first to fifth Lease Years of the First Lease Period (commencing on 4 September 2017 and ending on 3 September 2022), the annual rent payable by the Lessee (monthly in advance on the first day of each month) was predetermined at HK\$54.4 million, HK\$57.8 million, HK\$61.2 million, HK\$64.6 million and HK\$68.0 million, respectively.

3. Rental Income Structure for the Lease Years from 4 September 2022 to 31 December 2027 (the “Second Lease Period”)

Thereafter, in respect of each of the Lease Years: (a) from 4 September 2022 to 31 December 2023; (b) from 1 January 2024 to 31 December 2024; (c) from 1 January 2025 to 31 December 2025; (d) from 1 January 2026 to 31 December 2026; and (e) from 1 January 2027 to 31 December 2027, within the Second Lease Period, a rent review by a jointly appointed independent professional property valuer is required to take place no later than three months prior to the commencement of the following Lease Year of the Second Lease Period to determine the market rental package for the iclub Ma Tau Wai Hotel, including the amount of market rents (comprising Base Rent, Variable Rent and the Lessee’s contribution to the FF&E Reserve), the amount of the security deposit and the manner of payment, for the relevant subsequent Lease Year under the Second Lease Period (the “**Market Rental Package**”).

4. Difference in the rental determination methods between the First Lease Period and the Second Lease Period

In contrast to the First Lease Period where the annual fixed rents were predetermined under the Lease Agreement, Market Rental Packages will apply to the Lease Years within the Second Lease Period which, as explained in paragraph A.3 above, will be determined annually by a jointly appointed independent professional property valuer for each of the relevant Lease Years.

Accordingly, the rentals receivable by Regal REIT in respect of each of the Lease Years during the Second Lease Period under the Market Rental Package will depend on the then prevailing market conditions and a number of other risks and uncertainties, and may vary from the annual fixed rents for the First Lease Period.

B. APPOINTMENT OF VALUER

Ms. Stella Ho was jointly appointed as an independent professional property valuer (the “**Valuer**”) and was instructed on 2 March 2022 to conduct a rent review to determine the Market Rental Package in respect of the first Lease Year from 4 September 2022 to 31 December 2023 (the “**2022/23 Lease Year**”) within the Second Lease Period for the iclub Ma Tau Wai Hotel (the “**2022-2023 Market Rental Package**”), based on the assumptions and disregards provided in the Lease Agreement. Ms. Ho was also jointly appointed as the Valuer to determine the market rental packages for the Initial Hotel Properties, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel from 2020 to 2022, which are all held by Regal REIT. Ms. Ho is a Chartered Surveyor with over 20 years’ experience in the valuation of properties of this magnitude and nature in Hong Kong, and is currently an executive director at Colliers International (Hong Kong) Limited, which is the current principal valuer of Regal REIT.

Ms. Ho issued her report (the “**Valuer’s Report**”) on the determination of the Market Rental Package for the 2022/23 Lease Year for the iclub Ma Tau Wai Hotel (the “**2022-2023 Market Rental Package Determination**”) on 20 May 2022.

C. THE 2022-2023 MARKET RENTAL PACKAGE DETERMINATION

1. Summary of the 2022-2023 Market Rental Package Determination

A summary of the 2022-2023 Market Rental Package Determination is as follows:

Market Rental Package component	For the period from 4 September 2022 to 31 December 2022 (“First Period of the 2022/23 Lease Year”)	For the period from 1 January 2023 to 31 December 2023 (“Second Period of the 2022/23 Lease Year”)
Base Rent	HK\$8.775 million	HK\$30.0 million
Variable Rent	50% of NPI Excess	50% of NPI Excess
Lessee’s contribution to the FF&E Reserve	No contribution by the Lessee	No contribution by the Lessee
Amount of security deposit (the “ Security Deposit ”)	HK\$7.0 million	HK\$7.8 million

A summary of the 2022-2023 Market Rental Package Determination prorated for the 12-month period from 4 September 2022 to 3 September 2023 (the “**Comparative Period**”) together with the corresponding components for the 2021 Lease Year (from 4 September 2021 to 3 September 2022), are as follows:

Market Rental Package component	Market Rental Package for the Comparative Period	2021 Lease Year
Base Rent/Fixed Rent ^{(1)(a),(b)&(c)}	HK\$29.025 million	HK\$68.0 million
Variable Rent ⁽²⁾	50% of NPI Excess	Nil
Lessee’s contribution to the FF&E Reserve ⁽³⁾	No contribution by the Lessee	Actual costs funded by the Lessee
Security Deposit ⁽⁴⁾	HK\$7.0 million for the First Period of the 2022/23 Lease Year and HK\$7.8 million for the Second Period of the 2022/23 Lease Year	HK\$17.0 million

Notes:

- (1) (a) The amount of HK\$29.025 million shown for the Comparative Period represents the Base Rent of the iclub Ma Tau Wai Hotel which is arrived at based on: (i) the Base Rent of HK\$27.0 million for the whole year of 2022 (equivalent to HK\$2.25 million per month) and prorated based on the actual number of 27 days in September 2022 (from 4 September 2022 to 31 December 2022); and ii) the Base Rent of HK\$30.0 million for the whole year of 2023 (equivalent to HK\$2.50 million per month) and prorated based on the actual number of 3 days in September 2023 (from 1 January 2023 to 3 September 2023), presented for the purpose of comparison.
- (b) The amount of HK\$68.0 million is the predetermined fixed rent received for the 2021 Lease Year (4 September 2021 to 3 September 2022).
- (c) According to the 2022-2023 Market Rental Package Determination, the amount payable by the Lessee as Base Rent is HK\$29.025 million for the Comparative Period, which represents a decrease of 57.32% as compared with the fixed rental of HK\$68.0 million for the 2021 Lease Year.

- (2) The Variable Rent of the iclub Ma Tau Wai Hotel is based on 50% sharing of the NPI Excess for the 2022 fiscal year, apportioned according to the number of days in the First Period of the 2022/23 Lease Year. The Variable Rent receivable for the Second Period of the 2022/23 Lease Year will be based on 50% sharing of the NPI Excess for the 2023 fiscal year. The final amount of any NPI Excess will be subject to the hotel performance of the iclub Ma Tau Wai Hotel for the 2022 and 2023 fiscal years.
- (3) According to the Lease Agreement, the Lessee was required to, at its own cost and expense, pay to the Lessor on a monthly basis during the First Lease Period the actual costs of any FF&E items disbursed. For the year ended 31 December 2021, the Lessee had funded HK\$0.85 million of the FF&E actual costs. Thereafter, the Lessor is obligated to maintain the FF&E Reserve with an amount, equivalent to 2% of the Total Hotel Revenue for the preceding calendar month, to be set aside monthly during the Second Lease Period. Further, as part of the review for each Lease Year, the Valuer may determine the percentage of the Total Hotel Revenue, as part of or in addition to the aforesaid amount set aside, which the Lessee is obligated to contribute. According to the Valuer's Report, as a general practice of the hotel industry in Hong Kong, the owner of the hotel (equivalent to the Lessor in the Lease Agreement) is responsible for contributing to funds which are set aside and applied to meet the costs of investments in the replacement of furniture, fixtures and equipment at the relevant hotel premises, for the purposes of maintaining such premises at the applicable operating standards and operating capacity. The Valuer was, therefore, of the opinion that the obligation to contribute to the FF&E Reserve could be transferred from the Lessee to the Lessor, based on local practice, and concluded in the 2022-2023 Market Rental Package Determination that none of the Total Hotel Revenue shall be contributed by the Lessee to the FF&E Reserve for the 2022/23 Lease Year.
- (4) Pursuant to the Lease Agreement, the amount of the security deposit shall be equal to the higher of: (a) the amount which the Valuer determines to be the market rate of security deposit as a result of a market rental review; and (b) three months Base Rent. According to the 2022-2023 Market Rental Package Determination, the Valuer determined that the market rate of the security deposit to be three months Base Rent, rates and Government rent. Accordingly, the Security Deposit for the iclub Ma Tau Wai Hotel is HK\$7.0 million (for the First Period of the 2022/23 Lease Year) and HK\$7.8 million (for the Second Period of the 2022/23 Lease Year), equivalent to (a) above, such amount being the higher of (a) and (b).

2. Manner of Payment

A summary of the manner of payment of the Base Rent, Variable Rent, Security Deposit and the Lessee's contribution to the FF&E Reserve according to the 2022-2023 Market Rental Package Determination, together with the corresponding manner of payment in the 2021 Lease Year, is as follows:

Component of payment	Manner of payment according to the 2022-2023 Market Rental Package Determination	Manner of payment for the 2021 Lease Year
Base Rent/Fixed Rent	Monthly in advance on 4 September 2022, subsequently monthly in advance on the first day of each calendar month	Monthly in advance on the first day of each calendar month
First instalment of Variable Rent (for the period to 31 December 2022)	On or before 95 days after the end of the 2022 fiscal year	Not applicable
Second instalment of Variable Rent (for the first half of 2023)	On or before 95 days after the end of the 2023 interim period	Not applicable
Third instalment of Variable Rent (for the second half of 2023)	On or before 95 days after the end of the 2023 fiscal year	Not applicable
Security Deposit ^(Note)	Lessee to procure and provide third party guarantee effective on 4 September 2022 (for the First Period of the 2022/23 Lease Year) and 1 January 2023 (for the Second Period of the 2022/23 Lease Year)	Lessee procured and provided third party guarantee effective on 4 September 2021
Lessee's contribution to the FF&E Reserve	No contribution by the Lessee	Actual costs funded by the Lessee

Note: For the 2021 Lease Year, the Lessee has procured and provided a third party guarantee (in the form of a standby letter of credit issued by a licensed bank in Hong Kong) for a security deposit amount equivalent to three months fixed rent, effective on 4 September 2021. Similarly, for the First Period of the 2022/23 Lease Year and the Second Period of the 2022/23 Lease Year, the Lessee will procure and provide a third party guarantee (in the form of a standby letter of credit issued by a licensed bank in Hong Kong) for a security deposit amount equivalent to three months Base Rent, rates and Government rent, effective on 4 September 2022 and 1 January 2023, respectively.

D. PERFORMANCE OF ICLUB MA TAU WAI HOTEL

The net property income derived from the iclub Ma Tau Wai Hotel for the year ended 31 December 2021 was HK\$13.4 million (for the year ended 31 December 2020: HK\$4.3 million). For the year ended 31 December 2021, the iclub Ma Tau Wai Hotel achieved an overall occupancy rate of 70.5% (for the year ended 31 December 2020: 66.1%) with an average room rate of approximately HK\$615.80 (for the year ended 31 December 2020: approximately HK\$288.74). The iclub Ma Tau Wai Hotel has been operated as a quarantine hotel since 22 December 2020.

E. SUMMARY OF ASSUMPTIONS AND OUTLINE OF VALUATION METHODOLOGIES

1. Assumptions contained in the 2022-2023 Market Rental Package Determination

The 2022-2023 Market Rental Package Determination was based on the assumptions and disregards set out in the Lease Agreement, including the following:

- (a) that the rental payable by the Lessee shall be exclusive of rates, government rent, utility charges and all other outgoings payable by the Lessee;
- (b) that the iclub Ma Tau Wai Hotel is available to let on the open market by a willing landlord to a willing tenant without a premium and with vacant possession having regard to similar premises having similar characteristics and attributes;
- (c) that the length of the lease would be in line with other leases in the market with similar nature;
- (d) that the iclub Ma Tau Wai Hotel is fit for immediate occupation and use and incorporates fixtures and fittings which are of a standard and description commensurate with the nature of the premises and which are suitable for the use and occupation of the willing tenant;

- (e) that in case any part of the iclub Ma Tau Wai Hotel has been damaged or destroyed, it has been fully restored;
- (f) that no reduction is to be made to take account of any inducements;
- (g) disregarding any effect on rent of the fact that the Lessee has been or is in occupation of the iclub Ma Tau Wai Hotel or any part thereof; and
- (h) disregarding any goodwill attributable to the Lessee's business carried on at the iclub Ma Tau Wai Hotel.

2. Outline of Valuation Methodologies

The Valuer adopted a reasonable percentage of gross revenue as her primary approach in her valuation to determine the Base Rent comprised within the 2022-2023 Market Rental Package Determination. The Valuer also analysed similar sales transactions in Hong Kong to assess the market value of the iclub Ma Tau Wai Hotel, and Base Rent was then derived from the adoption of what the Valuer determined to be an appropriate yield on such market value. As the Valuer was of the view that rental transactions of hotels are rare in Hong Kong, rental transactions of upper commercial premises were also analysed as a cross-check and benchmark for the purposes of the 2022-2023 Market Rental Package Determination. The Valuer, being appointed and instructed jointly by the Lessor and the Lessee to conduct the 2022-2023 Market Rental Package, determined the Variable Rent for the 2022/23 Lease Year to be 50% sharing of the NPI Excess for each relevant year, which is a reasonable and fair proportion to both parties.

F. CONSIDERATIONS IN RESPECT OF THE 2022-2023 MARKET RENTAL PACKAGE

1. Predetermination of Annual Rents for the First Lease Period in 2017

Under the Lease Agreement, the annual contractual cash rental receipts in respect of the first to fifth Lease Years within the First Lease Period were predetermined at 4.00%, 4.25%, 4.50%, 4.75% and 5.00% of the Hotel Purchase Price of HK\$1,360 million, being HK\$54.4 million, HK\$57.8 million, HK\$61.2 million, HK\$64.6 million and HK\$68.0 million, respectively. The fixed rental payment terms since the commencement of the lease for the iclub Ma Tau Wai Hotel have effectively sheltered Regal REIT from the ramp up period when opening a new hotel property and also provided a degree of protection from the recent soft market conditions.

2. Rental Review in respect of the Market Rental Package for 2022-2023 and General Market Conditions

As previously highlighted in the Circular, the profitability of hotel business is cyclical and sensitive to changes in the global, regional or local economy generally; and since demand for hotel services in Hong Kong is affected by economic growth, a global, regional or local recession could lead to downturns which, in turn, may affect the hotel industry. Other adverse factors outside the control of Regal REIT and the Hotel Manager could include political unrest, natural disasters, changes in laws and other events (such as slowdowns in the growth numbers of mainland Chinese visitor arrivals to Hong Kong pursuant to the People's Republic of China's Individual Visit Scheme) which may impact negatively on the tourism industry and hotel business, including hotel bookings and the food and beverage business at hotels in Hong Kong. The occurrence of one or more of these events may have an adverse effect on the operating performance of the iclub Ma Tau Wai Hotel, the Lessee and, ultimately, Regal REIT.

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, based on information published by the Hong Kong Tourism Board, 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.

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 first two months in 2022 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.

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.

The Base Rent and the Variable Rent comprised within the 2022-2023 Market Rental Package Determination has been based on the Valuer's professional assessment of the market conditions for 2022 and 2023 (taking into account the assumptions and disregards set out in paragraph E.1 above) and other factors relating to the iclub Ma Tau Wai Hotel, and taking into consideration the current market conditions and outlook for the hotel and tourism industry in Hong Kong. The adoption of having the Base Rent, plus potential upside sharing through Variable Rent in accordance with the Lease Agreement, provides assurance of a relatively stable rental income from the iclub Ma Tau Wai Hotel for Regal REIT for the 2022/23 Lease Year.

Based on the number of adverse factors and the hotel business conditions as mentioned above, there is a decrease of 57.32% in the prorated Base Rent determined for the Comparative Period, as compared with the fixed rent of HK\$68.0 million received for the 2021 Lease Year.

3. Impact on Distribution per Unit and Total Distributable Income

As explained in paragraph A.3 above, the Base Rents in respect of each of the Lease Years within the Second Lease Period will be determined in accordance with an annual rent review by a jointly appointed independent professional property valuer and will be more reflective of the prevailing market conditions at the time each annual rental review is conducted.

The TDI available for distribution to Unitholders and the distribution per Unit for each financial year is affected by various factors including, most importantly, the total rental and hotel income receivable by Regal REIT from all its hotel properties for such financial year. For the year ended 31 December 2021, the rental income of the iclub Ma Tau Wai Hotel was HK\$61.2 million, representing approximately 10.31% of the total rental and hotel income of Regal REIT in the same year. Although the REIT Manager believes there is room for improvement in the operating performance of the iclub Ma Tau Wai Hotel, particularly when the tourism market in Hong Kong revives after the COVID-19 pandemic is stabilised, the prorated 12 months Base Rent of HK\$29.025 million for Comparative Period under the 2022-2023 Market Rental Package Determination is 57.32% below the prevailing fixed rental level of HK\$68.0 million for the 2021 Lease Year, which will, in turn, have a negative impact on the rental income in 2022 and 2023. However, the TDI may be subject to increase in the event that Variable Rent is receivable by the Lessor in the 2022/23 Lease Year. As at 31 December 2021, the valuation of the iclub Ma Tau Wai Hotel was HK\$1,250 million, representing 5.5% of the total valuation of HK\$22,724 million of Regal REIT's properties portfolio.

Given the variables involved in the determination of the Base Rent and the Variable Rent from year to year, investors should exercise caution in dealing in the units of Regal REIT.

G. INSPECTION OF VALUER'S REPORT

Pursuant to 5.2(f) of the REIT Code, the Valuer's Report on the 2022-2023 Market Rental Package is available for inspection by the public during normal office hours at the REIT Manager's place of business at Unit No. 2001, 20th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

H. CONFIRMATION BY THE INEDs

The INEDs confirm the following:

- (a) the Board (including all of the INEDs) (other than Mr. LO Yuk Sui, Miss LO Po Man, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To, Mr. Kenneth NG Kwai Kai, Mr. Bowen Joseph LEUNG Po Wing, GBS, JP and Hon. Abraham SHEK Lai Him, GBS, JP, who were deemed to have interests in the Transaction Matters Requiring Approval) at the time of the Circular had confirmed that the terms of agreements (including the Lease Agreement) in respect of iclub Ma Tau Wai Hotel referred to in the section headed "Continuing Party Connected Transactions" of the Circular were (i) entered into in the ordinary and usual course of business of Regal REIT; (ii) consistent with the investment objectives and strategy of Regal REIT; and (iii) on terms which are normal commercial terms, at arm's length and are fair and reasonable and in the interests of Regal REIT, the Independent Unitholders, as well as the Unitholders as a whole;
- (b) the Board (including all of the INEDs) (other than Mr. LO Yuk Sui, Miss LO Po Man, Mr. Donald FAN Tung, Mr. Jimmy LO Chun To, Mr. Kenneth NG Kwai Kai, Mr. Bowen Joseph LEUNG Po Wing, GBS, JP and Hon. Abraham SHEK Lai Him, GBS, JP, who were deemed to have interests in the Transaction Matters Requiring Approval) further confirmed that the Lease Agreement continues to be conducted in the ordinary and usual course of business of Regal REIT and consistent with the investment objectives and strategy of Regal REIT, and the terms of the Lease Agreement are on normal commercial terms, at arm's length and are fair and reasonable and in the best interests of Regal REIT, the Independent Unitholders, as well as the Unitholders as a whole;

- (c) the appointment of Ms. Stella Ho as the independent professional property valuer for the 2022-2023 Market Rental Package Determination has been reviewed, considered and endorsed by the Audit Committee of the REIT Manager; and
- (d) the rent review in respect of the 2022-2023 Market Rental Package Determination has been conducted in accordance with the terms of the Lease Agreement.

A summary of the 2022-2023 Market Rental Package Determination will be disclosed in the interim and annual reports of Regal REIT for the financial periods ending 30 June 2022 and 30 June 2023 and the financial years ending 31 December 2022 and 31 December 2023, respectively.

This announcement is made pursuant to Chapter 10 of the REIT Code.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

- “Hotel Manager” means Regal Hotels International Limited, a wholly-owned subsidiary of Regal and a connected person of Regal REIT;
- “INEDs” means the independent non-executive directors of the REIT Manager;
- “Initial Hotel Properties” means Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel, which are wholly-owned by Regal REIT;
- “Lease Agreement” means Lease Agreement for the iclub Ma Tau Wai Hotel entered into between the Lessor and the Lessee on 4 September 2017, as amended, supplemented and/or otherwise modified from time to time;
- “Lease Year” means (a) each of the first five one-year periods of the term of the Lease Agreement; (b) the period commencing immediately following the end of the fifth one-year period of the term of the Lease Agreement and ending on 31 December of the following calendar year; and (c) each calendar year immediately following the end of period described in (b) above.

“Lessee”	means Favour Link International Limited, a wholly-owned subsidiary of Regal and a connected person of Regal REIT;
“Lessor”	means Land Crown International Limited, the direct owner of the iclub Ma Tau Wai Hotel and a wholly-owned subsidiary of Regal REIT;
“NPI Excess”	means Net Property Income (as defined in the Circular) for a Lease Year which exceeds the Base Rent for the same Lease Year;
“Regal”	means Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 78) and a connected person of Regal REIT; and
“REIT Manager”	means Regal Portfolio Management Limited, as the manager of Regal REIT.

By Order of the Board
Regal Portfolio Management Limited
(as manager of Regal Real Estate Investment Trust)
Simon LAM Man Lim
Executive Director

Hong Kong, 27 May 2022

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