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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)

Managed by

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

SUMMARY OF MARKET RENTAL PACKAGE OF THE ICLUB TO KWA WAN HOTEL IN RESPECT OF THE 2026 LEASE YEAR

Reference is made to the announcements dated 27 May 2022 and 25 September 2024 issued by Regal REIT. In accordance with the Lease Agreement, the Valuer was jointly appointed by the Lessor and the Lessee and was instructed to conduct a rent review to determine the Market Rental Package for 2026 for the iclub To Kwa Wan Hotel, which includes the amount of market rents (including Base Rent and Variable Rent), the Lessee's contribution to the FF&E Reserve, the amount of the Security Deposit and the manner of payment.

According to the 2026 Market Rental Package Determination, the amount payable by the Lessee as Base Rent is HK$40.0 million for the 2026 Lease Year (an increase of HK$3.0 million as compared with the Base Rent of HK$37.0 million in the Market Rental Package for 2025). The Variable Rent will continue to be based on the same sharing ratio of 50% of the NPI Excess for the 2026 Lease Year. For the 2026 Lease Year, the Valuer determined that, consistent with the 2025 Market Rental Package Determination, no contribution by the Lessee to the FF&E Reserve will be required. 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 2026 Lease Year. The Security Deposit comprised within the 2026 Market Rental Package Determination is HK$10.0 million, as compared with the Security Deposit of HK$9.25 million comprised within the Market Rental Package for 2025. Summaries of the 2026 Market Rental Package Determination and the valuation methodologies are set out in this announcement. The manner of payment of each component of the 2026 Market Rental Package Determination will be consistent with that set out in the 2025 Market Rental Package Determination.

The total distributable income ("**TDI**") available for distribution to Unitholders and the distribution per Unit for each financial year are 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 six months ended 30 June 2025, the prorated Base Rent derived from the iclub To Kwa Wan Hotel amounted to HK$18.5 million, representing approximately 5.22% of the total rental and hotel income of Regal REIT in the same period, and no Variable Rent was receivable for the period. Pursuant to the 2026 Market Rental Package Determination, there will be an increase of HK$3.0 million in the Base Rent for the 2026 Lease Year as compared to that in the 2025 Market Rental Package Determination. However, the TDI may increase in the event that Variable Rent is received by the Lessor in the 2026 Lease Year. As at 30 June 2025, the valuation of the iclub To Kwa Wan Hotel was HK$1,372 million, representing 5.86% of the total valuation of HK$23,429 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 Market Rental Package for 2026 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 2026 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 ON THE LEASE TERM AND RENTAL INCOME STRUCTURE

Reference is made to the announcements dated 27 May 2022 and 25 September 2024 issued by Regal REIT. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings ascribed to them in the announcement dated 27 May 2022.

B. APPOINTMENT OF VALUER

Ms. Stella Ho was jointly appointed as an independent professional property valuer (the "**Valuer**") and was instructed on 25 June 2025 to conduct a rent review to determine the Market Rental Package in respect of the 2026 Lease Year for the iclub To Kwa Wan Hotel (the "**Market Rental Package for 2026**"), 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 for the 2026 Lease Year, which are all held by Regal REIT. Separate announcements on the determination of the market rental packages for these hotels for the 2026 Lease Year are made on this same date. Ms. Ho is a Chartered Surveyor with over 25 years' experience in the valuation of properties of similar magnitude and nature in Hong Kong, and is currently an executive director at Knight Frank Petty Limited.

Ms. Ho issued her report (the "**Report**") on the determination of the Market Rental Package for 2026 for the iclub To Kwa Wan Hotel (the "**2026 Market Rental Package Determination**") on 25 September 2025.

C. THE 2026 MARKET RENTAL PACKAGE DETERMINATION

1. Summary of the 2026 Market Rental Package Determination

A summary of the 2026 Market Rental Package Determination, together with the corresponding components in respect of the Market Rental Package for 2025, are as follows:

Market Rental Package Component	Market Rental Package for 2026	Market Rental Package for 2025
Base Rent[(1)]	HK$40.0 million	HK$37.0 million
Variable Rent[(2)]	50% of NPI Excess	50% of NPI Excess
Lessee's contribution to the FF&E Reserve[(3)]	No contribution by the Lessee	No contribution by the Lessee
Amount of Security Deposit[(4)]	HK$10.0 million	HK$9.25 million

Notes:

(1) The Base Rent of HK$40.0 million for the 2026 Lease Year represents an increase of HK$3.0 million (equivalent to an increase of 8.11%) as compared with the Base Rent of HK37.0 million for the 2025 Lease Year.

(2) For the six months ended 30 June 2025, as the Net Property Income from the hotel operations of the iclub To Kwa Wan Hotel amounted to approximately HK$13.6 million, which was below the prorated Base Rent amount of HK$18.5 million, no Variable Rent was earned for the period. The final amount of any NPI Excess will be subject to the operating results of the iclub To Kwa Wan Hotel for the fiscal year 2025. Likewise, pursuant to the 2026 Market Rental Package Determination, the Variable Rent receivable for the 2026 Lease Year will continue to be based on the same sharing ratio of 50% of the NPI Excess for the 2026 Lease Year.

(3) According to the Lease Agreement, 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. 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 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, consistent with the 2025 Market Rental Package Determination, concluded in the 2026 Market Rental Package Determination that none of the Total Hotel Revenue shall be contributed by the Lessee to the FF&E Reserve for the 2026 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 2026 Market Rental Package Determination, the Valuer determined that the market rate of the security deposit to be three months Base Rent. Accordingly, the Security Deposit for the iclub To Kwa Wan Hotel is HK$10.0 million, equivalent to (b) above, such amount being the higher of (a) and (b).

2. Manner of Payment

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 2026 Market Rental Package Determination will be consistent with that set out in the 2025 Market Rental Package Determination. For the 2025 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 3 months' Base Rent effective on 1 January 2025. Similarly, for the 2026 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 3 months' Base Rent, effective on 1 January 2026.

D. PERFORMANCE OF THE ICLUB TO KWA WAN HOTEL

The net property income derived from the iclub To Kwa Wan Hotel for the six months ended 30 June 2025 was HK$13.6 million (for the year ended 31 December 2024: HK$27.2 million), which was below the prorated Base Rent of HK$18.5 million, no Variable Rent was receivable for the period. For the six months ended 30 June 2025, the iclub To Kwa Wan Hotel achieved an overall occupancy rate of 81.7% (for the year ended 31 December 2024: 79.4%) with an average room rate of approximately HK$608.15 (for the year ended 31 December 2024: approximately HK$572.41).

E. SUMMARY OF ASSUMPTIONS AND OUTLINE OF VALUATION METHODOLOGIES

1. Assumptions contained in the 2026 Market Rental Package Determination

The 2026 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 To Kwa Wan 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 To Kwa Wan 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 To Kwa Wan 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 To Kwa Wan Hotel or any part thereof; and

(h) disregarding any goodwill attributable to the Lessee's business carried on at the iclub To Kwa Wan 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 2026 Market Rental Package Determination. The Valuer also analysed similar sales transactions in Hong Kong to assess the market value of the iclub To Kwa Wan 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 2026 Market Rental Package Determination. The Valuer, being appointed and instructed jointly by the Lessor and the Lessee to conduct the Market Rental Package for 2026, determined the Variable Rent for the 2026 Lease Year to be 50% of the NPI Excess, which is a reasonable and fair proportion to both parties.

F. CONSIDERATIONS IN RESPECT OF THE MARKET RENTAL PACKAGE FOR 2026

1. General Market Conditions and Rental Review in respect of the Market Rental Package for 2026

As previously highlighted in the Circular, the profitability of the 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 To Kwa Wan Hotel, the Lessee and, ultimately, Regal REIT.

Based on a recent report released by the World Bank Group, global growth is slowing due to a substantial rise in trade barriers and the pervasive effects of an uncertain global policy environment. Growth is expected to weaken to 2.3% in 2025, with deceleration in most economies relative to last year, marking the slowest rate of global growth since 2008. For China, its production and demand grew steadily, while employment was generally stable and household income continued to increase. The Gross Domestic Product (GDP) of China in the first half of 2025 was up by 5.3% year on year at constant prices. Hong Kong economy continued to expand solidly in the second quarter of 2025, supported by strong exports performance and improved domestic demand. Its real GDP grew by 3.1% over a year earlier, picking up slightly from the first quarter growth of 3.0%.

In the first half of 2025, Hong Kong welcomed about 23.6 million visitors, representing an increase of 11.7% year-on-year, of which 17.8 million were visitors from Mainland China. Among all visitor arrivals, 47.7% were overnight visitors, with an average length of stay of 3.2 nights. Apart from the growth in Mainland visitors, there were notable increases in the number of visitors from the traditional long haul and short haul markets, as compared to the same period last year. Although the total number of incoming visitors to Hong Kong in the first half of 2025 was still behind the peak level of 34.9 million recorded in the first half of 2019, the pace of recovery in the local tourist market during the past few years has been steadily growing.

According to the information published by the Hong Kong Tourism Board, the average hotel room occupancy level for all the surveyed hotels under different categories in Hong Kong for the half year ended 30 June was up from 83.0% in 2024 to 85.0% in 2025. However, the average achieved room rate has contracted by 10.8%, resulting in a decrease in the average Revenue per Available Room (RevPAR) of 8.6% year-on-year.

The Base Rent and the Variable Rent comprised within the 2026 Market Rental Package Determination has been based on the Valuer's professional assessment of the market conditions for 2026 (taking into account the assumptions and disregards set out in paragraph E.1 above) and other factors relating to the iclub To Kwa Wan 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 To Kwa Wan Hotel for Regal REIT for the 2026 Lease Year.

Based on the various factors and the hotel business conditions as mentioned above, there is an increase of 8.11% in the Base Rent determined for the 2026 Lease Year, as compared with the Base Rent of HK$37.0 million for the 2025 Lease Year.

The Base Rents in respect of each of the Lease Years 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.

2. Impact on Total Distributable Income and Distribution per Unit

The TDI available for distribution to Unitholders and the distribution per Unit for each financial year are 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 six months ended 30 June 2025, the prorated Base Rent derived from the iclub To Kwa Wan Hotel amounted to HK$18.5 million, representing approximately 5.22% of the total rental and hotel income of Regal REIT in the same period, and no Variable Rent was receivable for the period. Pursuant to the 2026 Market Rental Package Determination, there will be an increase of HK$3.0 million (equivalent to an increase of 8.11%) in the Base Rent for the 2026 Lease Year as compared to that in the 2025 Market Rental Package Determination. However, the TDI may increase in the event that Variable Rent is received by the Lessor in the 2026 Lease Year. As at 30 June 2025, the valuation of the iclub To Kwa Wan Hotel was HK$1,372 million, representing 5.86% of the total valuation of HK$23,429 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 Market Rental Package for 2026 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 Mr. 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 the iclub To Kwa Wan 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. Jimmy LO Chun To, Mr. Kenneth NG Kwai Kai, Mr. Bowen Joseph LEUNG Po Wing, GBS, JP and Mr. 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 is 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 2026 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 2026 Market Rental Package Determination has been conducted in accordance with the terms of the Lease Agreement.

A summary of the 2026 Market Rental Package Determination will be disclosed in the interim and annual reports of Regal REIT for the financial period ending 30 June 2026 and the financial year ending 31 December 2026, 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 To Kwa Wan 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 each calendar year commencing from 1 January 2024 and expiring on 31 December 2027 (both days inclusive);
"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 To Kwa Wan 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, 26 September 2025

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. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai as Non-executive Directors; and Mr. Bowen Joseph LEUNG Po Wing, GBS, JP, Mr. Kai Ole RINGENSON and Mr. Abraham SHEK Lai Him, GBS, JP as Independent Non-executive Directors.