



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



2007 RESULTS ANNOUNCEMENT

FINANCIAL AND BUSINESS HIGHLIGHTS

For the period from 11th December, 2006 (date of establishment) to 31st December, 2007

	HK\$ million
Gross rental revenue	672.8
Net rental income	665.7
Profit for the period, before distributions to Unitholders	2,850.2
Net assets attributable to Unitholders	10,915.1
Distributable income	<u>421.5</u>
Earnings per Unit	<u>HK\$0.917</u>
Net asset value per Unit	<u>HK\$3.503</u>
Final Distribution per Unit	<u>HK\$0.09627</u>
Total Distribution per Unit	<u>HK\$0.15327</u>

- The operating period for Regal REIT was from 30th March, 2007 (date of listing) to 31st December, 2007 (the "Operating Period")
- Total distributable income and total distribution per unit slightly exceed the profit forecast in the Offering Circular for the Operating Period
- The cash Base Rent and Variable Rent for the Operating Period were HK\$475.9 million and approximately HK\$101.6 million, respectively. The Variable Rent is HK\$4.3 million in excess of the profit forecast in the Offering Circular
- Overall the Initial Hotels achieved a RevPAR growth of 18.5% during the Operating Period

Regal Real Estate Investment Trust (“Regal REIT”) is a collective investment scheme established in the form of a unit trust under Hong Kong laws and the first hotel REIT in Hong Kong. Regal REIT was constituted by a trust deed dated 11th December, 2006 (as amended by a supplemental deed dated 2nd March, 2007) (together, the “Trust Deed”) entered into between Regal Portfolio Management Limited as the manager of Regal REIT (the “REIT Manager”) and DB Trustees (Hong Kong) Limited as the trustee of Regal REIT (the “Trustee”).

Regal REIT commenced business on 30th March, 2007 (the “Listing Date”) when the companies owning the initial hotel properties comprising Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel (the “Initial Hotels”) were acquired from Regal International (BVI) Holdings Limited (the “Vendor”), a wholly-owned subsidiary of Regal Hotels International Holdings Limited (“RHIHL”), and the units of Regal REIT (the “Units”) were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

For the period from 11th December, 2006 (the date of establishment of Regal REIT) to 31st December, 2007, Regal REIT achieved a consolidated net profit before distributions to Unitholders of approximately HK\$2,850.2 million. This included a gain of HK\$2,044.4 million which originated from the acquisition of the Initial Hotels from the RHIHL Group (as defined herein) at a discount to their appraised values and a gain of HK\$591.8 million arising from the change in the fair value of the Initial Hotels being held as investment properties.

DISTRIBUTABLE INCOME

Total distributable income for the period from 30th March, 2007 to 31st December, 2007 (the “Operating Period”), as adjusted for mainly the non-cash items included in the profit achieved, amounted to approximately HK\$421.5 million, which exceeds the forecast by HK\$1.2 million, representing a distribution per Unit (“DPU”) of HK\$0.15327 based on the number of Units entitled to such distribution.

DISTRIBUTION FOR 2007

Pursuant to the Trust Deed, Regal REIT is required to ensure the total amount distributable to the Regal REIT’s unitholders (the “Unitholders”) shall not be less than 90% of Regal REIT’s total distributable income for each financial year or relevant period. The current policy of the REIT Manager is to distribute to Unitholders an amount equal to 100% of Regal REIT’s distributable income for each financial year or relevant period.

Basing on distributing 100% of the total distributable income, the directors of the REIT Manager have declared a final distribution of HK\$0.09627 per Unit for the period from 1st July, 2007 to 31st December, 2007. The interim distribution for the period from 30th March, 2007 to 30th June, 2007 was HK\$0.057 per Unit and the total DPU for the Operating Period is HK\$0.15327. Both the total distributable income and the total distribution per Unit slightly exceed the forecast amounts as stated in the offering circular dated 19th March, 2007 in connection with the initial public offering of Regal REIT (the “Offering Circular”). As the market valuations of the Initial Hotels have appreciated since their acquisition by Regal REIT, the net asset value per Unit has increased to HK\$3.503 as at 31st December, 2007, as compared to HK\$3.300 per Unit at the time of listing of Regal REIT.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Tuesday, 13th May, 2008 to Thursday, 15th May, 2008, both days inclusive, during which period no transfers of Units will be effected. In order to qualify for the distribution, all unit certificates with completed transfer forms must be lodged with Regal REIT’s unit registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 9th May, 2008. The relevant distribution warrants are expected to be despatched on or before 30th May, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

Concurrent with the acquisition of the Initial Hotels on 30th March, 2007 by Regal REIT, the Initial Hotels were leased back to Favour Link International Limited (the “Lessee”) under long-term lease agreements (the “Lease Agreements”). The Lessee is responsible for the day-to-day running of the hotel businesses and Regal Hotels International Limited has been engaged as the hotel manager (the “Hotel Manager”) under long-term hotel management agreements (the “Hotel Management Agreements”). The Lessee and the Hotel Manager are wholly-owned subsidiaries of RHIHL (RHIHL, together with its relevant subsidiaries, collectively, the “RHIHL Group”).

During the Operating Period, Regal REIT received HK\$475.9 million cash base rent (the “Base Rent”) and approximately HK\$101.6 million variable rent (the “Variable Rent”) through sharing of aggregate profits from the Initial Hotels operations after their Base Rent payments have been made by the Lessee. The achieved Variable Rent exceeded the stated Variable Rent in the profit forecast in the Offering Circular by HK\$4.3 million. The Variable Rent represented the collective excess net property income (“NPI”) from the Initial Hotels operations, of which 100% are allocated to Regal REIT in 2007.

Overall business for the hotel industry remained strong in 2007 resulting in 10.1% growth in revenue per available room (“RevPAR”). The Initial Hotels performed well during the Operating Period, achieving an increase of 4.3% in occupancy rate and 13.6% in average room rate compared with the same period in 2006. For the same period, the Initial Hotels achieved a RevPAR growth of 18.5% which is significantly higher as compared with High Tariff A hotels (+11.0%), High Tariff B hotels (+12.4%) and Medium Tariff hotels (+4.9%) in Hong Kong. (According to the “Hotel Room Occupancy Report – December 2007”, Tourism Research Hong Kong Tourism Board in January 2008 and the REIT Manager.)

The improvement in the occupancy rate was primarily due to a successful strategy to increase room occupancies at Regal Airport Hotel which more than offset a drop in room occupancies at Regal Riverside Hotel caused by a weakening Mainland China group market. In addition, a strategy to reposition the Initial Hotels in the market towards individual travellers has been successful, resulting in occupancy and average room rate increases at Regal Hongkong Hotel, Regal Kowloon Hotel and Regal Oriental Hotel.

Food and beverage sales were brisk during the Operating Period driven by a strong economy, more rooms occupied in the hotels and a changing market mix with more hotel guests from market segments with greater propensity to use the restaurants and bars. A growing MICE (meetings, incentives, conventions and exhibitions) segment at Regal Airport Hotel and the successful re-positioning of Regal Oriental Hotel contributed to this trend.

Achieved NPI from hotel operations during the Operating Period was HK\$577.5 million which exceeded the forecast NPI in the Offering Circular.

As at 31st December, 2007, approximately HK\$22.2 million had been contributed to the furniture, fixtures and equipment reserve in the Initial Hotels (the “FF&E Reserve”) while approximately HK\$18.2 million had been expended in 2007.

By 31st December, 2007, the first stage of the Asset Enhancement Program (the “AEP”) encompassing 194 additional guest rooms in four of the Initial Hotels and a new swimming pool in Regal Hongkong Hotel had been completed.

Financial Review

During the period from 11th December, 2006 (date of establishment) to 31st December, 2007, the gross rental revenue was approximately HK\$672.8 million and the net rental income was approximately HK\$665.7 million.

Net rental income represented approximately 98.9% of gross rental revenue, after deduction of property operating expenses. During the Operating Period, property management of Regal REIT is handled by the Hotel Manager under the Hotel Management Agreements and the related expenses are charged to the hotel operations as opposed to being absorbed by Regal REIT directly.

As at 31st December, 2007, Regal REIT had loan facilities aggregating HK\$4.5 billion comprised of a term loan of HK\$4.35 billion and a revolving credit facility of HK\$150 million, both for terms of five years. The term loan was fully drawn down on 29th March, 2007 and is repayable in full on 30th March, 2012. The revolving credit facility is available for drawdown during the period from 29th March, 2007 to 30th March, 2009 at which time the revolving credit facility could be converted into a term loan. As of 31st December, 2007, the revolving credit facility had not yet been used.

Both the term loan and the revolving credit facility bear interest at a floating rate of 60 basis points above three-month Hong Kong Interbank Offered Rates. In order to hedge against the floating interest rate, Regal REIT, through its subsidiaries, entered into interest rate hedging arrangements for an aggregate notional principal amount of HK\$4.35 billion. Under such arrangements, the interest rates effectively borne by Regal REIT were fixed at an average rate of 4.54% per annum until 17th January, 2008 and are subject to a cap of 7.15% and a floor of 3.8% per annum for the period from 18th January, 2008 to 18th January, 2012. Regal REIT, through its subsidiaries, entered into further five interest rate hedging arrangements at interest rate ranging from 4.33% to 4.50% for one year for an aggregate notional amount of HK\$2 billion effective from 18th January, 2008. We will continue to review the effectiveness of the cap and floor interest rates arrangement, which may be unwound if unwinding such arrangement would be in the interest of the Unitholders.

As at 31st December, 2007, the gearing ratio of 25.7%, being the gross amount of the outstanding loans of HK\$4.35 billion divided by the total assets of approximately HK\$16.9 billion, is below the maximum 45% permitted under the Code on Real Estate Investment Trusts (the "REIT Code").

Regal REIT had a total of approximately HK\$140.4 million in unrestricted cash balances and bank deposits as at 31st December, 2007 and, therefore, in the opinion of the directors, has sufficient financial resources to satisfy its short and medium term financial commitments and working capital requirements.

As at 31st December, 2007, the Initial Hotels with aggregate carrying value of HK\$16,080 million were pledged to secure bank loan facilities granted to Regal REIT.

Outlook

Hotel Industry

The sub-prime loan crisis in the United States has triggered off substantial disturbance to the capital and financial markets globally and there could be risk for further deterioration in the global economy in the near future. However, the rapid social changes taking place in Mainland China, with large numbers of new travellers entering the market, the rising disposable incomes as well as the underlying strength of the Mainland China economy are providing a firm support for a resilient tourism travel market in the region and the continuing strong hotel demand in Hong Kong.

Growth Strategies

The REIT Manager's primary strategy is to maintain and grow a good and balanced investment portfolio of hotel and hospitality-related properties. The REIT Manager's objectives are to attain stable and long-term growth in the distributions and the net asset value per Unit of Regal REIT, to be achieved through a combination of pro-active asset management and selective acquisitions of additional properties that meet the REIT Manager's investment criteria.

Over the past year, management has been actively reviewing numerous hotel investment proposals in Mainland China. However, faced with challenges arising from keen competition from other potential investors and the high expectations on property prices among sellers, driven by Olympic fervour, the REIT Manager has taken a prudent view and remained disciplined with the set investment criteria. Moreover, in view of the tightening measures on the bank lending policies imposed by the Central Government, it is expected that there could be short term market fluctuations and volatilities, and such challenging environment would present potential acquisition opportunities.

Overall, the directors of the REIT Manager are very optimistic of the continuing growth and prosperity of Regal REIT and are committed to accomplishing its mission to build up the existing hotel portfolio and to become a pre-eminent owner of four and five star hotels as well as to reinforce Regal REIT's status as an ever growing attractive option to investors in the years to come.

CONSOLIDATED INCOME STATEMENT

For the period from 11th December, 2006 (date of establishment) to 31st December, 2007

	Notes	HK\$'000
Gross rental revenue	4	672,787
Property operating expenses		<u>(7,105)</u>
Net rental income		665,682
Other income	4	5,433
Excess over the cost of a business combination		2,044,441
Fair value gains on investment properties		591,841
REIT Manager fees	5	(53,525)
Trust and other expenses		(6,116)
Finance costs – excluding distributions to Unitholders	6	<u>(156,994)</u>
Profit before tax and distributions to Unitholders		3,090,762
Tax	7	<u>(240,564)</u>
Profit for the period, before distributions to Unitholders		2,850,198
Finance costs – distributions to Unitholders		<u>(155,951)</u>
Profit for the period, after distributions to Unitholders		<u><u>2,694,247</u></u>
Earnings per unit attributable to Unitholders		
Basic and diluted	8	<u><u>HK\$0.917</u></u>

CONSOLIDATED BALANCE SHEET

As at 31st December, 2007

	Notes	HK\$'000
Non-current assets		
Investment properties	9	16,080,000
Prepaid construction costs		430,000
Deferred tax assets		21,765
Total non-current assets		16,531,765
Current assets		
Accounts receivable	10	161,500
Prepayments and other receivables		14,537
Restricted cash		85,465
Cash and cash equivalents		140,412
Total current assets		401,914
Total assets		16,933,679
Current liabilities		
Accounts payable	11	3,885
Accruals		58,429
Total current liabilities		62,314
Net current assets		339,600
Total assets less current liabilities		16,871,365
Non-current liabilities, excluding net assets attributable to Unitholders		
Interest-bearing bank borrowings		4,314,022
Derivative financial instruments		24,382
Deferred tax liabilities		1,617,885
Total non-current liabilities		5,956,289
Total liabilities, excluding net assets attributable to Unitholders		6,018,603
Net assets attributable to Unitholders		10,915,076
Number of Units in issue	12	3,115,512,324
Net asset value per Unit	13	HK\$3.503

DISTRIBUTION STATEMENT

For the period from 11th December, 2006 (date of establishment) to 31st December, 2007

	HK\$'000
Profit for the period, before distributions to Unitholders	2,850,198
Adjustments:	
Excess over the cost of a business combination	(2,044,441)
Fair value gains on investment properties	(591,841)
Difference in accounting Base Rent and actual contractual cash Base Rent	(70,010)
Amount set aside on account for the furniture, fixtures and equipment reserve	(22,214)
REIT Manager fees paid/payable in the form of Units	53,525
Amortisation of debt establishment costs	5,705
Deferred tax charge	<u>240,564</u>
Distributable income for the period (1) &(3)	<u><u>421,486</u></u>
Distributions to Unitholders:	
Interim – HK\$0.057 per Unit for the period to 30th June, 2007 (2)	155,951
Final declared – HK\$0.09627 per Unit for the period from 1st July, 2007 to 31st December, 2007	<u>265,535</u>
	<u><u>421,486</u></u>
Total Distribution per Unit (4) & (5)	<u><u>HK\$0.15327</u></u>

Notes:

1. Pursuant to the Trust Deed, Regal REIT is required to ensure that the total amount distributable to Unitholders shall not be less than 90% of Regal REIT's total distributable income for each financial year or relevant period. The current policy of the REIT Manager is to distribute to Unitholders an amount equal to 100% of Regal REIT's distributable income for each financial year or relevant period. Together with the interim distribution paid for the period to 30th June, 2007, the total distributable income is approximately HK\$421.5 million, which is above the distributable income guarantee of not less than HK\$420.3 million for the period from the Listing Date to 31st December, 2007 provided by the RHIHL Group in connection with the listing of Regal REIT.

2. The amount of any distribution for the interim period of each financial year is at the discretion of the REIT Manager. In accordance with the indicative distribution per Unit in the Offering Circular and taking into account seasonality of the hotel business, the REIT Manager made a distribution of HK\$0.057 per Unit for the period to 30th June, 2007. Based on the number of Units entitled to this interim distribution, the total amount was approximately HK\$156.0 million which involved an additional distributable amount of approximately HK\$35.8 million in addition to the interim distributable income of HK\$120.2 million for the period to 30th June, 2007. The additional distributable amount was taken out from the available cash resources of Regal REIT.
3. 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. 15th May, 2008 has been set as the Record Date in respect of the final distribution for the period from 1st July, 2007 to 31st December, 2007. This final distribution will be paid out to Unitholders on or before 30th May, 2008. The total distribution per Unit to be paid to Unitholders for the period from 1st July, 2007 to 31st December, 2007 is arrived at based on the total distribution amount to be paid to Unitholders for the period and the number of Units expected to be in issue at the Record Date that are entitled to the distribution.
4. Pursuant to the distribution deed dated 2nd March, 2007, Great Prestige Investments Limited, a wholly-owned subsidiary of RHIHL, agreed to waive its distribution entitlements with respect to 373,134,326 Units held (the “AEP Units”) pending completion of the Asset Enhancement Program at the relevant Initial Hotels. The distributable income during the applicable period will be available for distribution among other Unitholders. The number of Units entitled to the 2007 final distribution is calculated as follows:

	Number of Units
In issue as at 31st December, 2007	3,115,512,324
Issued on 29th January, 2008 to the REIT Manager for the REIT Manager Base Fees for November 2007	1,817,592
Issued on 29th February, 2008 to the REIT Manager for the REIT Manager Base Fees for December 2007	1,901,987
To be issued to the REIT Manager for the REIT Manager Variable Fees for the period from 30th March, 2007 to 31st December, 2007	8,134,021
To be issued to the REIT Manager for the REIT Manager Base Fees for January 2008 and February 2008	4,046,090
In issue as at the Record Date	3,131,412,014
Less: AEP Units	(373,134,326)
Units expected to be entitled to the distribution as at the Record Date	<u><u>2,758,277,688</u></u>

5. The distribution of HK\$0.09627 per Unit for the period from 1st July, 2007 to 31st December, 2007, involving a total distributable amount of approximately HK\$265.5 million, was resolved and declared by the REIT Manager on 26th March, 2008. Accordingly, the distribution is not reflected as a distribution payable in the consolidated financial statements for the period ended 31st December, 2007 and will be reflected in the consolidated financial statements for the year ending 31st December, 2008.

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 on 30th March, 2007. Regal REIT is governed by 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 hotel and hospitality-related properties 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 AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code.

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair values.

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC)-Int 12	Service Concession Arrangements ⁴
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁴

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st March, 2007

³ Effective for annual periods beginning on or after 1st July, 2008

⁴ Effective for annual periods beginning on or after 1st January, 2008

The REIT Manager anticipates that the application of these standards or interpretations is unlikely to have a significant impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

All of the Group's operations are located and carried out in Hong Kong and the sole principal activity of the Group is hotel property investment. Accordingly, no segment information by business and geographical segments is presented.

4. GROSS RENTAL REVENUE AND OTHER INCOME

	Notes	HK\$'000
Gross rental revenue		
Rental income	(a)	647,526
Other rental-related income	(b)	22,214
Others		3,047
		<u>672,787</u>
		HK\$'000
Other income		
Bank interest income		5,428
Others		5
		<u>5,433</u>

Notes:

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

	HK\$'000
Base rent:	
Cash Base Rent	475,900
Difference in accounting Base Rent and actual contractual cash Base Rent	70,010
	<u>545,910</u>
Variable Rent	101,616
	<u>647,526</u>

(b) Other rental-related income represents contributions to the FF&E Reserve which is received from the lessee in accordance with the terms of the lease agreements. The FF&E Reserve contributions are for additions to and replacements of furniture, fixtures and equipment for the Initial Hotels.

5. REIT MANAGER FEES

	HK\$'000
Base Fees	36,200
Variable Fees	17,325
	<u>53,525</u>

6. FINANCE COSTS – EXCLUDING DISTRIBUTIONS TO UNITHOLDERS

	HK\$'000
Interest expenses on interest-bearing bank borrowings repayable within five years	150,775
Amortisation of debt establishment costs	5,705
Loan commitment fees	284
Loan agency fees	230
	<u>156,994</u>

7. TAX

The tax charge represents the deferred tax charge for the period. No provision for Hong Kong profits tax has been made as the Group has available tax losses attached to the holding companies holding the Initial Hotels acquired by the Group upon the initial public offering of the Units to offset the assessable profits generated during the period.

8. EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The calculation of the basic earnings per Unit amounts is based on the profit for the period before distributions to Unitholders of approximately HK\$2,850.2 million and the weighted average number of 3,108,353,881 Units in issue during the period. The basic earnings per Unit for the period amounted to HK\$0.917.

Diluted earnings per Unit is the same as the basic earnings per Unit as there were no dilutive instruments in issue during the period.

9. INVESTMENT PROPERTIES

The Group's investment properties (the Initial Hotels) were valued on 31st December, 2007 by CB Richards Ellis Limited, independent professionally qualified valuer and the principal valuer of Regal REIT, at HK\$16,080 million on an open market value, existing use basis.

10. ACCOUNTS RECEIVABLE

Included in the Group's accounts receivable is an amount of approximately HK\$70.0 million representing the difference in accounting Base Rent and actual contractual cash Base Rent which is recognised as revenue in the income statement on the straight-line basis over the lease term.

The remaining balance of approximately HK\$91.5 million, comprising approximately HK\$87.7 million of Variable Rent receivables and approximately HK\$3.8 million of FF&E Reserve contributions receivable, represents amounts due from a related company. The amounts are unsecured and repayable within one year in accordance with the terms of the respective agreements.

The Group's accounts receivable are neither past due nor impaired and are mainly due from a related company for whom there is no recent history of default.

11. ACCOUNTS PAYABLE

The accounts payable represent an amount due to a related company which is unsecured, interest-free and repayable on demand.

12. NUMBER OF UNITS IN ISSUE

	Number of Units
Issue of new Units upon listing on 30th March, 2007	3,104,605,748
REIT Manager fees paid in Units	10,906,576
As at 31st December, 2007	<u>3,115,512,324</u>

13. NET ASSET VALUE PER UNIT

The net asset value per Unit is calculated by dividing the net assets attributable to the Unitholders as at 31st December, 2007 of approximately HK\$10,915.1 million by the number of Units in issue of 3,115,512,324 as of that date.

14. BUSINESS COMBINATION

On 30th March, 2007, Regal REIT acquired the entire issued share capital of Regal Asset Holdings Limited (“RAHL”), whose principal activity is indirectly holding the Initial Hotels, from the Vendor for a consideration of approximately HK\$12.5 billion. The Vendor undertook to complete the AEP for a consideration of HK\$1 billion and RHIHL guaranteed this obligation to Regal REIT.

The fair values of the identifiable assets and liabilities of RAHL at the date of acquisition are summarised as follows:

	Fair values recognised on acquisition HK\$'000
Investment properties	14,900,000
Prepaid construction costs	1,000,000
Deferred tax assets	31,899
Deferred tax liabilities	(1,387,455)
Net assets acquired	<u>14,544,444</u>
Excess over the cost of a business combination recognised in the income statement	<u>(2,044,441)</u>
Total consideration	<u>12,500,003</u>

Consideration satisfied by:	
Cash	6,509,354
Fair value of 2,235,316,748 Units issued	5,990,649
	12,500,003

EMPLOYEES

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

NEW UNITS ISSUED

3,104,605,748 Units were issued on 30th March, 2007 upon the initial public offering and, except for the 10,906,576 new Units allotted and issued to the REIT Manager in payment of the Base Fees during the Operating Period, no further Units have been issued during the Operating Period.

PUBLIC FLOAT

As at 31st December, 2007, based on the information that is publicly available to the REIT Manager and as reported to the directors of the REIT Manager, more than 25% of the issued and outstanding Units were held by independent public Unitholders.

REPURCHASE, SALE OR REDEMPTION OF UNITS

Under the terms of the Trust Deed, the REIT Manager cannot repurchase or redeem any Units on behalf of Regal REIT unless and until permitted to do so by the relevant codes and guidelines issued by the SFC from time to time. There were no purchases, sales or redemptions of Units during the Operating 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 period from 11th December, 2006 (date of establishment) to 31st December, 2007, Regal REIT and the REIT Manager have complied with the provisions of the Compliance Manual.

REVIEW OF RESULTS

The Disclosure Committee and the Audit Committee of the REIT Manager have reviewed Regal REIT's consolidated financial statements for the period from 11th December, 2006 (date of establishment) to 31st December, 2007, including the accounting principles and practices adopted by Regal REIT, in conjunction with external auditors of Regal REIT.

ISSUANCE OF ANNUAL REPORT

The Annual Report of Regal REIT for the period from 11th December, 2006 (date of establishment) to 31st December, 2007 is expected to be despatched to Unitholders on or about mid-April 2008.

ANNUAL GENERAL MEETING

An Annual General Meeting of Regal REIT will be convened on Thursday, 15th May, 2008. The Notice of the Annual General Meeting will be published and sent to the Unitholders, together with the 2007 Annual Report of Regal REIT, in due course.

By order of the Board
Regal Portfolio Management Limited
as manager of Regal Real Estate Investment Trust
LO Yuk Sui
Chairman

Hong Kong, 26th March, 2008

As at the date of this announcement, the Board of the REIT Manager comprises Mr. LO Yuk Sui as Chairman and Non-executive Director; Mr. Kai Ole RINGENSON as Chief Executive Officer and Executive Director; Mr. Donald FAN Tung and Mr. Jimmy LO Chun To as Non-executive Directors; and Mr. John William CRAWFORD, J.P., Mr. Alvin LAM Kwing Wai and Hon Abraham SHEK Lai Him, J.P. as Independent Non-executive Directors.