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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



2009 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS	Six months ended 30th June, 2009 (unaudited) HK\$ million	Six months ended 30th June, 2008 (unaudited) HK\$ million
Gross rental revenue	374.9	374.7
Net rental income	370.2	371.3
Profit for the period, before distribution to Unitholders	187.5	278.3
Distributable income for the period	<u>280.5</u>	<u>247.4</u>
^Earnings per Unit attributable to Unitholders	<u>HK\$0.059</u>	<u>HK\$0.089</u>
*Distributable income per Unit	<u>HK\$0.092</u>	<u>HK\$0.083</u>
*Distribution per Unit	<u>HK\$0.085</u>	<u>HK\$0.083</u>
	As at 30th June, 2009 (unaudited)	As at 31st December, 2008 (audited)
Net Asset Value per Unit	<u>HK\$2.546</u>	<u>HK\$2.596</u>
#Proforma Net Asset Value per Unit	<u>(unaudited) HK\$2.849</u>	<u>(unaudited) HK\$2.903</u>

^ Based on the weighted average number of Units in issue
 * Based on the number of Units entitled to the distribution
 # Compiled on the basis that the deferred tax liabilities provided in the condensed consolidated interim financial statements with regard to the revaluation surplus of the investment properties are added back

PROFIT FOR THE INTERIM PERIOD

For the six months ended 30th June, 2009, Regal Real Estate Investment Trust (“Regal REIT”) attained an unaudited consolidated profit of approximately HK\$187.5 million. The profit attained in the period under review was comparatively lower than the profit of HK\$278.3 million recorded in the corresponding period in 2008, which is primarily due to the fact that while there is a deferred tax charge of approximately HK\$51.9 million incurred in the period under review, a net deferred tax credit of approximately HK\$53.9 million was recorded in the last corresponding period.

DISTRIBUTABLE INCOME AND INTERIM DISTRIBUTION FOR 2009

Distributable income available for distribution to unitholders of Regal REIT (the “Unitholders”) for the interim period from 1st January, 2009 to 30th June, 2009 (the “Interim Period”) amounted to approximately HK\$280.5 million, as compared with HK\$247.4 million for the comparative period last year, representing approximately HK\$0.092 per each unit of Regal REIT (the “Unit”) entitled to the distribution for the Interim Period. Based on the modified policy of distributing no less than 90% of the distributable income approved by the Unitholders in May 2009, the Directors of Regal Portfolio Management Limited (the “REIT Manager”) have resolved to declare a distribution of HK\$0.085 per Unit to the Unitholders for the six months ended 30th June, 2009 (six months ended 30th June, 2008: HK\$0.083 per Unit), representing a distribution of approximately 92.4% of the available distributable income for the Interim Period.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Wednesday, 16th September, 2009 to Friday, 18th September, 2009, both days inclusive, during which period no transfers of Units will be effected. In order to qualify for the interim distribution for 2009, 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, 15th September, 2009. The relevant distribution warrants are expected to be despatched on or about 8th October, 2009.

BUSINESS REVIEW

As previously anticipated, the year 2009 has so far been very challenging for the tourism and hotel industries in Hong Kong and worldwide. During the first few months of the Interim Period, hotels in Hong Kong performed relatively better than those in other major centres around the world, primarily because of the continued strong influx of visitors from Mainland China. Since early May, the H1N1 (swine flu) pandemic has severely affected travelling to Hong Kong from all key source markets, including those from the United States, Europe, Japan and Mainland China. Consequently, hotel occupancies and average room rates for the five investment properties of Regal REIT (the “Initial Hotels”) have declined under pressure from a very competitive market. Although faced with a relatively weak market, the Initial Hotels as a whole have strived to increase their market share, achieving a lesser decrease in revenue per available room (“RevPAR”) than the market average, particularly as compared to the luxury end of the hotel market.

Nevertheless, in spite of the fluctuations in the market conditions affecting the hotel industry, the existing lease arrangements of the Initial Hotels are structured with guaranteed base rents (the “Base Rent”) from the lessee, which provide to Regal REIT a strong shelter against such market fluctuations.

The REIT Manager’s primary strategy is to maintain and grow a strong and balanced investment portfolio of hotels and hospitality-related properties. While the planned expansion in Mainland China is being delayed because of the adverse market conditions, particularly in the major cities such as Beijing, Shanghai, Guangzhou and Shenzhen, the REIT Manager is, in the meantime, seriously considering certain other hotel related investment opportunities in Hong Kong.

OUTLOOK

Due to the volatile global economic environment and the uncertainty over the timing of the economic revival as well as the future impact of the H1N1 pandemic, business conditions for the travel industry in Hong Kong in the remaining part of 2009 will continue to be challenging. The slow-down in worldwide economic activities have continued to affect the hotel operations, as companies and enterprises remain cautious with travel budgets and certain leisure travellers are still inclined to reduce travel due to H1N1 pandemic worries. However, recently there are some signs of a stabilising U.S. economy and as the measures to fight the spread of the H1N1 pandemic in Mainland China are easing gradually, there could be pent up demand from both business and leisure travellers to Hong Kong.

Looking further into the future, Mainland China is expected to be able to sustain high economic growth and its huge and expanding outbound tourism markets will continue to offer strong support to the travel related industries in Hong Kong. The Directors of the REIT Manager anticipate that when the impact of the H1N1 pandemic gradually diminishes and the business travelling and tourism activities again pick up their momentum, the hotel market in Hong Kong should recover steadily in pace with the overall revival in the global economies.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

During the Interim Period, Regal REIT received an aggregate of HK\$378.4 million on cash Base Rent and additional Base Rent. As the net property income from hotel operations was approximately HK\$229.3 million, which is below the cash Base Rent, no variable rent (“Variable Rent”) is payable to Regal REIT for the Interim Period.

Gross rental revenue for the Interim Period was approximately HK\$374.9 million and after the deduction of property operating expenses, the net rental income was approximately HK\$370.2 million, which represented approximately 98.7% of gross rental revenue. The property management function of Regal REIT is handled by the hotel manager under the relevant hotel management agreements and the related expenses are charged to the hotel operations as opposed to being absorbed by Regal REIT directly.

The performance of the Initial Hotels followed the principal market trend and experienced a severe slow-down in the second quarter, but on an aggregate basis, the drop in RevPAR for the Interim Period was limited to approximately 22.9% or approximately 3.3 percentage points better than the overall market average.

With the completion of the second stage of the asset enhancement programme (the “AEP”) at Regal Riverside Hotel in June 2009, the hotel has added 280 new rooms to its room inventory, now boasting a total of 1,138 available rooms.

During the Interim Period, capital additions projects have been committed with an estimated final cost of approximately HK\$17.9 million covering all of the Initial Hotels, of which approximately HK\$10.2 million was related to income generating projects for which additional Base Rent will be received. During the Interim Period, approximately HK\$3.4 million was received in additional Base Rent.

While the negative effects on travel from the H1N1 pandemic are believed to be temporary, the focus of the hotel operations have been on cost savings and short term strategies to maintain market share. The hotel manager of the Initial Hotels has implemented cost saving measures, while remaining prepared for a bounce-back when, in the first instance, leisure travel from Mainland China rebounds and later when the visitors from major overseas markets return to previous levels.

Financial Review

In March 2009, a revolving credit facility of HK\$150.0 million was drawn down and subsequently converted to a term loan during the Interim Period. The new term loan was aggregated with the then existing term loan of HK\$4.35 billion. As at 30th June, 2009, Regal REIT had a term loan of HK\$4.5 billion which is repayable in full on 30th March, 2012.

The term loan bears 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 with regard to HK\$4.35 billion are subject to a cap of 7.15% and a floor of 3.80% per annum for the period from 18th January, 2008 to 18th January, 2012. The HK\$150.0 million balance of the HK\$4.5 billion term loan is not hedged.

As at 30th June, 2009, the gearing ratio amounted to 31.9%, being the gross amount of the outstanding loans of HK\$4.5 billion as compared to the total assets of approximately HK\$14.1 billion, which 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\$326.2 million in unrestricted and HK\$44.6 million in restricted cash balances and bank deposits as at 30th June, 2009 and, therefore, in the opinion of the Directors of the REIT Manager, has sufficient financial resources to satisfy its short and medium term financial commitments and working capital requirements.

As at 30th June, 2009, Regal REIT's investment properties were pledged to secure bank loan facilities granted to Regal REIT.

Valuation of Investment Properties

Regal REIT values its properties on an annual basis and under the relevant Hong Kong Financial Reporting Standards ("HKFRS"), the fair value model for investment properties has been adopted. CB Richard Ellis Limited ("CBRE"), an independent professional property valuer, assessed the market values as at 31st December, 2008 of the Initial Hotels subject to the lease agreements and the hotel management agreements and in accordance with the "HKIS Valuation Standards on Properties (First Edition 2005)", the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the REIT Code. The Initial Hotels, including the fair value of AEP at Regal Riverside Hotel, were valued at HK\$13,490.0 million as at 31st December, 2008. CBRE used the discounted cash flow ("DCF") method based on key assumptions such as hotel room occupancies, hotel average room rates, terminal capitalisation rates and discount rates. The direct comparison method was used as a check on the valuation arrived at from the DCF method.

In line with the above, Regal REIT will in due course have its properties valued as at 31st December, 2009 and record any adjustments to the carrying value thereof at that time.

As required by the relevant HKFRS, deferred tax liabilities have been provided in the condensed consolidated interim financial statements with regard to the revaluation surplus of Regal REIT's investment properties, which are all in Hong Kong. However, the Directors of the REIT Manager consider that should any such sale of the relevant properties eventuate, any gain would be regarded as capital in nature and based on the current tax legislation in Hong Kong, would not be subject to capital gains tax in Hong Kong.

Net Asset Value

The net asset value (the "NAV") per Unit amounted to HK\$2.546 as at 30th June, 2009, down HK\$0.050 from the NAV as at 31st December, 2008, mainly due to the increased number of Units in issue arising from REIT Manager fees being paid in the form of Units.

If the deferred tax liabilities provided in the condensed consolidated interim financial statements with regard to the revaluation surplus of the Initial Hotels are added back, the proforma NAV compiled on such basis would be HK\$2.849 per Unit as at 30th June, 2009 (HK\$2.903 per Unit as at 31st December, 2008).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2009

	Notes	Six months ended 30th June, 2009 (unaudited) HK\$'000	Six months ended 30th June, 2008 (unaudited) HK\$'000
Gross rental revenue	5	374,850	374,737
Property operating expenses		<u>(4,682)</u>	<u>(3,435)</u>
Net rental income		370,168	371,302
Other income	5	200	2,786
REIT Manager fees	6	(32,386)	(37,597)
Trust and other expenses		(5,444)	(6,035)
Fair value changes of derivative financial instruments		2,626	(6,263)
Net interest expense on derivative financial instruments		(169)	(11,763)
Finance costs – excluding distribution to Unitholders	7	<u>(87,672)</u>	<u>(88,009)</u>
Profit before tax and distribution to Unitholders		247,323	224,421
Tax	8	<u>(59,815)</u>	<u>53,864</u>
Profit for the period, before distribution to Unitholders		187,508	278,285
Finance costs – distribution to Unitholders		<u>(256,033)</u>	<u>(264,756)</u>
(Loss)/profit for the period, after distribution to Unitholders		<u><u>(68,525)</u></u>	<u><u>13,529</u></u>
Earnings per Unit attributable to Unitholders			
Basic and diluted	9	<u><u>HK\$0.059</u></u>	<u><u>HK\$0.089</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

	Six months ended 30th June, 2009 (unaudited) HK\$'000	Six months ended 30th June, 2008 (unaudited) HK\$'000
(Loss)/profit for the period, after distribution to Unitholders	(68,525)	13,529
Other comprehensive income for the period:		
Cash flow hedges:		
Changes in fair values of cash flow hedges	(47,908)	(24,332)
Transfer from hedging reserve to income statement	45,360	(6,905)
	(2,548)	(31,237)
Total comprehensive loss for the period, after distribution to Unitholders	(71,073)	(17,708)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2009

	Notes	30th June, 2009 (unaudited) HK\$'000	31st December, 2008 (audited) HK\$'000
Non-current assets			
Investment properties	10	13,495,311	13,020,000
Prepaid construction costs		–	430,000
Construction in progress		17,300	16,743
Deferred tax assets	15	90,128	116,455
Total non-current assets		13,602,739	13,583,198
Current assets			
Accounts receivable	11	74,605	96,144
Prepayments and other receivables		784	10,272
Tax recoverable		1,335	5,062
Restricted cash		44,573	47,673
Cash and cash equivalents		326,199	173,789
Total current assets		447,496	332,940
Total assets		14,050,235	13,916,138
Current liabilities			
Accounts payable	12	6,349	6,887
Other payables and accruals		46,931	57,370
Tax payable		4,197	–
Total current liabilities		57,477	64,257
Net current assets		390,019	268,683
Total assets less current liabilities		13,992,758	13,851,881
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing bank borrowings		4,475,944	4,321,866
Derivative financial instruments		196,509	196,587
Deferred tax liabilities	15	1,202,215	1,176,651
Total non-current liabilities		5,874,668	5,695,104
Total liabilities, excluding net assets attributable to Unitholders		5,932,145	5,759,361
Net assets attributable to Unitholders		8,118,090	8,156,777
Number of Units in issue	13	3,188,459,544	3,142,196,102
Net asset value per Unit	14	HK\$2.546	HK\$2.596

DISTRIBUTION STATEMENT

For the six months ended 30th June, 2009

	Six months ended 30th June, 2009 (unaudited) HK\$'000	Six months ended 30th June, 2008 (unaudited) HK\$'000
Profit for the period, before distribution to Unitholders	187,508	278,285
Adjustments:		
Difference in accounting Base Rent and actual contractual cash Base Rent	18,286	(8,684)
Amount set aside on account for the furniture, fixtures and equipment reserve	(11,027)	(13,769)
REIT Manager fees paid/payable in the form of Units	32,386	35,244
Amortisation of debt establishment costs	4,078	3,901
Fair value changes of derivative financial instruments	(2,626)	6,263
Deferred tax	51,891	(53,864)
Distributable income for the period ⁽²⁾ & ⁽⁴⁾	280,496	247,376
Distribution per Unit ⁽³⁾ & ⁽⁴⁾	HK\$0.085	HK\$0.083

Notes:

1. Pursuant to the trust deed constituting Regal REIT together with the related supplemental deed (the "Trust Deed"), Regal REIT is required to ensure that the total amount distributed to Unitholders shall not be less than 90% of Regal REIT's Total Distributable Income (as defined in the Trust Deed) for each financial year. The current policy of the REIT Manager is to distribute to Unitholders the minimum amount of no less than 90% of Regal REIT's Total Distributable Income for each financial year.

The amount of any distribution for the interim period of each financial year is at the discretion of the REIT Manager. Based on the current policy of distributing no less than 90% of the Total Distributable Income, the REIT Manager has resolved to make an interim distribution of HK\$0.085 per Unit for the six-month period ended 30th June, 2009 (period ended 30th June, 2008: HK\$0.083 per Unit).

2. Pursuant to the Trust Deed, the REIT Manager determines the date (the "Record Date") in respect of each distribution period for the purpose of establishing Unitholder entitlements to distributions. The Record Date has been set as 18th September, 2009 in respect of the interim distribution for the six-month period ended 30th June, 2009. This interim distribution will be paid out to Unitholders on or about 8th October, 2009. The total distributable amount to be paid to Unitholders for the period of approximately HK\$258.3 million is arrived at based on the distribution per Unit of HK\$0.085 and the number of Units expected to be in issue at the Record Date that are entitled to distribution as detailed below.

3. Pursuant to the distribution deed dated 2nd March, 2007, Great Prestige Investments Limited, a wholly-owned subsidiary of Regal Hotels International Holdings Limited, agreed to waive its distribution entitlements with respect to 373,134,326 Units held (the “AEP Units”) pending completion of the AEP at the relevant Initial Hotels. During the period from 11th December, 2006 (date of establishment of Regal REIT) to 31st December, 2007, the AEP at Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel and the first phase of the AEP at Regal Riverside Hotel were completed and, accordingly, AEP Units with respect to these completed AEPs are entitled to the interim distribution for the six-month period ended 30th June, 2009. The number of Units expected to be entitled to distribution for the period is calculated as follows:

	Number of Units
In issue as at 30th June, 2009	3,188,459,544
Issued on 30th July, 2009 to the REIT Manager for the REIT Manager Base Fees for May 2009	3,056,685
To be issued to the REIT Manager for the REIT Manager Base Fees for June 2009	<u>2,927,795</u>
Units expected to be in issue at the Record Date	3,194,444,024
AEP Units pursuant to the distribution deed dated 2nd March, 2007	(373,134,326)
AEP Units with respect to AEPs completed during the period ended 31st December, 2007	<u>217,455,222</u>
	<u>(155,679,104)</u>
Units expected to be entitled to distribution at the Record Date	<u><u>3,038,764,920</u></u>

The remaining 155,679,104 AEP Units are related to the second stage of the AEP at Regal Riverside Hotel. Following the completion and hand over of the second stage of the AEP at Regal Riverside Hotel to Regal REIT on 26th June, 2009, these remaining 155,679,104 AEP Units will be entitled to any distributions for periods commencing from 1st July, 2009.

The above calculation does not take into consideration any Units which may be repurchased and cancelled subsequent to the approval of the condensed consolidated interim financial statements but before the Record Date.

4. The interim distribution of HK\$0.085 per Unit for the six-month period ended 30th June, 2009, involving a total distributable amount of approximately HK\$258.3 million, was resolved and declared by the REIT Manager on 20th August, 2009. Accordingly, the distribution is not reflected as a distribution payable in the condensed consolidated interim financial statements and will be reflected in the consolidated financial statements for the year ending 31st December, 2009.

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 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 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

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. In addition, the condensed consolidated interim financial statements include applicable disclosures required by the REIT Code issued by the Securities and Futures Commission and the applicable disclosure requirements of Appendix 16 of the Listing Rules.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which have been measured at fair values. These condensed consolidated interim financial statements are presented in Hong Kong dollars, which is the functional currency of Regal REIT.

3. ACCOUNTING POLICIES AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2008, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”), which are effective for the Group’s annual periods beginning on or after 1st January, 2009.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>

HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
Improvements to HKFRSs (2008)	

Except for HKFRS 8, HKAS 1 (Revised) and HKAS 32 and HKAS 1 Amendments, the adoption of these new and revised HKFRSs has no impact on the Group's results of operations and financial position.

4. 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. Information reported to the REIT Manager, the chief operating decision maker, for the purpose of resources allocation and assessment performance is focused on the operating results of all investment properties as a whole since all investment properties are leased to a single lessee. Accordingly, no segment information by business and geographical segments is presented.

5. GROSS RENTAL REVENUE AND OTHER INCOME

	Notes	Six months ended 30th June, 2009 (unaudited) HK\$'000	Six months ended 30th June, 2008 (unaudited) HK\$'000
Gross rental revenue			
Rental income	(a)	360,117	358,684
Other rental-related income	(b)	11,027	13,769
Other		3,706	2,284
		<u>374,850</u>	<u>374,737</u>
Other income			
Bank interest income		<u>200</u>	<u>2,786</u>

Notes:

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

	HK\$'000	HK\$'000
Base Rent:		
Cash Base Rent	375,000	350,000
Cash additional Base Rent	3,403	–
Difference in accounting Base Rent and actual contractual cash Base Rent	(18,286)	8,684
	<u>360,117</u>	<u>358,684</u>
Variable Rent	–	–
	<u>360,117</u>	<u>358,684</u>

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

6. REIT MANAGER FEES

	Six months ended 30th June, 2009 (unaudited) HK\$'000	Six months ended 30th June, 2008 (unaudited) HK\$'000
Base Fees:		
In the form of Units	20,703	25,331
In the form of cash	–	2,353
Variable Fees in the form of Units	11,683	9,913
	32,386	37,597

During the six-month period ended 30th June, 2009, REIT Manager fees of approximately HK\$13.7 million (period ended 30th June, 2008: approximately HK\$16.8 million) were settled by 13,794,678 Units (period ended 30th June, 2008: 8,652,315 Units). The remaining REIT Manager fees of approximately HK\$18.7 million (period ended 30th June, 2008: approximately HK\$18.4 million), comprising Base Fees for May 2009 and June 2009 and Variable Fees for the period from 1st January, 2009 to 30th June, 2009, are to be settled subsequent to the statement of financial position date in Units in accordance with the terms of the Trust Deed.

7. FINANCE COSTS – EXCLUDING DISTRIBUTION TO UNITHOLDERS

	Six months ended 30th June, 2009 (unaudited) HK\$'000	Six months ended 30th June, 2008 (unaudited) HK\$'000
Interest expenses on interest-bearing bank borrowings repayable within five years	38,153	90,826
Fair value changes of derivative financial instruments - cash flow hedges (transfer from hedging reserve)	45,360	(6,905)
Amortisation of debt establishment costs	4,078	3,901
Loan commitment fees	81	187
	87,672	88,009

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax had been made in the prior period as the Group had available tax losses attached to the companies holding the Initial Hotels acquired by the Group to offset the assessable profits generated during that period.

	Six months ended 30th June, 2009 (unaudited) HK\$'000	Six months ended 30th June, 2008 (unaudited) HK\$'000
Charge for the period	7,924	–
Deferred tax charge/(credit)	<u>51,891</u>	<u>(53,864)</u>
Total tax charge/(credit) for the period	<u>59,815</u>	<u>(53,864)</u>

9. EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The calculation of the basic earnings per Unit is based on the profit for the period before distribution to Unitholders of approximately HK\$187,508,000 (period ended 30th June, 2008: approximately HK\$278,285,000) and the weighted average number of 3,160,869,813 Units (period ended 30th June, 2008: 3,122,146,304 Units) in issue during the period. The basic earnings per Unit for the period amounted to HK\$0.059 (period ended 30th June, 2008: HK\$0.089).

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

10. INVESTMENT PROPERTIES

	30th June, 2009 (unaudited) HK\$'000	31st December, 2008 (audited) HK\$'000
At beginning of the period/year	13,020,000	16,080,000
Fair value changes	–	(3,133,715)
Transfer from prepaid construction costs	430,000	–
Capital expenditures for the period/year	<u>45,311</u>	<u>73,715</u>
At end of the period/year	<u>13,495,311</u>	<u>13,020,000</u>

The Group's investment properties were valued on 31st December, 2008 by CB Richards Ellis Limited, an independent professionally qualified valuer and the principal valuer of Regal REIT, at HK\$13,020,000,000 on an open market value, existing use basis. The REIT Manager considers that there have been no material changes in the fair values of the investment properties during the intervening period ended 30th June, 2009.

11. ACCOUNTS RECEIVABLE

	30th June, 2009 (unaudited) HK\$'000	31st December, 2008 (audited) HK\$'000
Difference in accounting Base Rent and actual contractual cash Base Rent	73,034	91,320
Cash additional Base Rent receivables	–	1,888
FF&E Reserve contribution receivables	1,571	2,936
	<u>74,605</u>	<u>96,144</u>

The difference in accounting Base Rent and actual contractual cash Base Rent is recognised as revenue in the income statement on the straight-line basis over the lease term.

The cash additional Base Rent receivables and FF&E Reserve contribution receivables represent amounts due from related companies. 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 in respect of related companies for whom there is no recent history of default.

12. ACCOUNTS PAYABLE

This represents amounts due to related companies which are unsecured, interest-free and repayable on demand.

13. NUMBER OF UNITS IN ISSUE

	Number of Units	
	30th June, 2009 (unaudited)	31st December, 2008 (audited)
Units in issue:		
At beginning of the period/year	3,142,196,102	3,115,512,324
REIT Manager fees paid in the form of Units	46,263,442	40,075,778
	3,188,459,544	3,155,588,102
Units repurchased	–	(13,392,000)
At end of the period/year	<u>3,188,459,544</u>	<u>3,142,196,102</u>

14. NET ASSET VALUE PER UNIT

The Net Asset Value per Unit is calculated by dividing the net assets attributable to Unitholders as at 30th June, 2009 of approximately HK\$8,118,090,000 (31st December, 2008: approximately HK\$8,156,777,000) by the number of Units in issue of 3,188,459,544 (31st December, 2008: 3,142,196,102) as of that date.

15. DEFERRED TAX

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

	Depreciation allowances in excess of related depreciation HK\$'000	Fair value adjustments arising from revaluations of the Initial Hotels HK\$'000	Losses available for offset against future taxable profits HK\$'000	Total HK\$'000
Gross deferred tax assets/ (liabilities) at 1st January, 2008	(166,547)	(1,571,707)	142,134	(1,596,120)
Deferred tax credited/(charged) to the income statement during the year	<u>(13,455)</u>	<u>606,875</u>	<u>(57,496)</u>	<u>535,924</u>
Gross deferred tax assets/ (liabilities) at 31st December, 2008 (audited)	<u>(180,002)</u>	<u>(964,832)</u>	<u>84,638</u>	<u>(1,060,196)</u>
Gross deferred tax assets/ (liabilities) at 1st January, 2009	(180,002)	(964,832)	84,638	(1,060,196)
Deferred tax charged to the income statement during the period	<u>(34,836)</u>	<u>–</u>	<u>(17,055)</u>	<u>(51,891)</u>
Gross deferred tax assets/ (liabilities) at 30th June, 2009 (unaudited)	<u>(214,838)</u>	<u>(964,832)</u>	<u>67,583</u>	<u>(1,112,087)</u>

For the purpose of the statement of financial position presentation, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	30th June, 2009 (unaudited) HK\$'000	31st December, 2008 (audited) HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	90,128	116,455
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(1,202,215)</u>	<u>(1,176,651)</u>
	<u>(1,112,087)</u>	<u>(1,060,196)</u>

The deferred tax liabilities and assets set out above primarily relate to the deferred tax calculated on the revaluation surplus/deficit on the Initial Hotels, in accordance with HKAS 12 *Income Tax*. However, based on current tax legislation in Hong Kong, no capital gains tax is payable upon disposal of the Initial Hotels.

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.

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Interim Period, there were no repurchases, sales or redemptions of Units.

NEW UNITS ISSUED

Save for the 46,263,442 new Units allotted and issued to the REIT Manager in payment of the REIT Manager Fees, no further new Units have been issued during the Interim Period.

PUBLIC FLOAT

As at 30th June, 2009, 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.

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 high standards 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 the Listing Rules which are applicable to Regal REIT.

REVIEW OF INTERIM RESULTS

Regal REIT’s condensed consolidated interim 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, 2009 to be despatched to Unitholders.

The Disclosure Committee and the Audit Committee of the REIT Manager have reviewed Regal REIT’s condensed consolidated interim financial statements for the Interim Period, including the accounting principles and practices adopted by Regal REIT, in conjunction with 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 28th August, 2009.

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

Hong Kong, 20th August, 2009

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; 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, JP, Mr. Alvin Leslie LAM Kwing Wai and Hon Abraham SHEK Lai Him, SBS, JP as Independent Non-executive Directors.