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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**



### **PROPOSED MODIFICATION TO DISTRIBUTION POLICY, PROPOSED TRUST DEED AMENDMENTS AND PROPOSED GENERAL MANDATE TO REPURCHASE UNITS**

The Board wishes to announce that the REIT Manager is proposing to (a) modify the distribution policy of Regal REIT; (b) make certain amendments to the Trust Deed and (c) obtain a general mandate for the REIT Manager to repurchase Units on-market.

The proposed modification to the distribution policy shall apply to the financial year commencing from 1st January, 2009 and to all subsequent financial years until further notice, and shall not affect the amount of distribution to Unitholders of Regal REIT for the year ended 31st December, 2008.

Further details will be set out in a circular to the Unitholders expected to be despatched as soon as practicable, together with the Explanatory Statement, the notice of AGM and the form of proxy of the AGM. The implementation of each of the Proposals is subject to approval by Unitholders at the AGM.

The board of directors (the “**Board**”) of Regal Portfolio Management Limited, as the manager (the “**REIT Manager**”) of Regal Real Estate Investment Trust (“**Regal REIT**”), wishes to announce that the REIT Manager is proposing to (a) modify the distribution policy of Regal REIT; (b) make certain amendments to the trust deed dated 11th December, 2006 (as amended by a first supplemental deed dated 2nd March, 2007 and a second supplemental deed dated 15th May, 2008) constituting Regal REIT (collectively, the “**Trust Deed**”) entered into between DB Trustees (Hong Kong) Limited, in its capacity as the trustee of Regal REIT, and the REIT Manager; and (c) obtain a general mandate for the REIT Manager to repurchase units of Regal REIT (“Units”) on-market (the “**Repurchase Mandate**”) (collectively, the “**Proposals**”).

Regal REIT’s current distribution policy is to distribute to the unitholders of Regal REIT (the “**Unitholders**”) an amount equal to 100% of Regal REIT’s Total Distributable Income (as defined in the Trust Deed) for each financial year. Regal REIT may from time to time undertake to fund capital additions projects with the objective of maintaining or improving the competitiveness and profitability of the hotel business and the rental payment capacity of the leased premises of Regal REIT. Other capital additions projects may also be necessary to comply with licensing requirements or to conform with enactments. In order to allow the REIT Manager greater flexibility in managing Regal REIT’s financial affairs, the REIT Manager proposes to modify the current distribution policy such that it will distribute to Unitholders an amount not less than 90% of Regal REIT’s Total Distributable Income for each financial year.

Such a modification will not affect Regal REIT’s ability to distribute to Unitholders amounts in excess of 90% of the Total Distributable Income for any financial year, if so determined appropriate by the REIT Manager after taking into account the fiscal requirements of Regal REIT. The modified distribution policy will also be consistent with the distribution requirements under the Code on Real Estate Investment Trusts (the “**REIT Code**”) issued by the SFC and the Trust Deed.

The proposed modification to the distribution policy shall apply to the financial year commencing from 1st January, 2009 and to all subsequent financial years until further notice, and shall not affect the amount of distribution to Unitholders for the year ended 31st December, 2008.

The modified distribution policy of Regal REIT will be consistent with the REIT Code and the Trust Deed. Accordingly, the modification to Regal REIT’s distribution policy does not require Unitholders’ approval under the REIT Code, the Trust Deed, or applicable Hong Kong laws and regulations. Nonetheless, in the interests of good corporate governance, the REIT Manager proposes to seek Unitholders’ approval by

way of an Ordinary Resolution (as defined in the Trust Deed) at the forthcoming annual general meeting of Regal REIT (the “AGM”), on a voluntary basis, to approve the modification to the distribution policy of Regal REIT. In the future, the REIT Manager may change its distribution policy without seeking Unitholders’ approval subject to compliance with the REIT Code and the Trust Deed.

The REIT Manager also intends to propose to make certain amendments to the Trust Deed, which are expected to include amendments (a) to facilitate and clarify the requirements applicable to the making of special distribution(s) to Unitholders by the REIT Manager; (b) to provide additional clarity and detail as to how the REIT Manager should undertake a rights issue; (c) to provide more clarity with respect to the underwriting arrangement of any offer for sale, subscription or issue of Units and/or Convertible Instruments (as defined in the Trust Deed); (d) to provide additional clarity on the treatment of Units issued pursuant to a distribution reinvestment arrangement; (e) to clarify the requirements in relation to the production of a property valuation report; (f) to clarify the calculation of the leverage ratio for Regal REIT; (g) to clarify the REIT Manager’s obligation to procure insurance for the Investments (as defined in the Trust Deed); and (h) to provide that corporate communications may be sent or supplied to Unitholders or holders of Convertible Instruments (as defined in the Trust Deed) by making them available on the website of Regal REIT or by sending or otherwise making them available using other electronic means, provided that they are made available in accordance with the provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as if they were applicable to real estate investment trusts. The implementation of the amendments to the Trust Deed is subject to the appropriate Special Resolutions (as defined in the Trust Deed) being passed by the Unitholders at the AGM.

With regard to the Repurchase Mandate, although the REIT Manager has no present intention of repurchasing Units, it believes that it is in the best interest of Regal REIT and the Unitholders as a whole to seek the Repurchase Mandate from the Unitholders to enable Regal REIT to make on-market repurchases of Units when suitable opportunities and market conditions arise. Unit repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Unit and/or earnings per Unit and will only be made when the REIT Manager believes that such repurchase will benefit Regal REIT and the Unitholders. In accordance with the “Circular to Management Companies of SFC-authorized Real Estate Investment Trusts” issued by the SFC on 31st January, 2008, an explanatory statement (the “Explanatory Statement”) will be sent to Unitholders at the same time as the notice of AGM. The Explanatory Statement will contain information reasonably necessary to enable Unitholders to make an informed decision on whether or not to approve the proposed Ordinary Resolution (as defined in the Trust Deed) for the Repurchase Mandate.

Further details of the Proposals will be set out in a circular to the Unitholders to be despatched as soon as practicable, together with the Explanatory Statement, the notice of the AGM to be convened for the purpose of considering resolutions relating to the Proposals, and the form of proxy for the AGM. The implementation of each of the Proposals is subject to approval by Unitholders at the AGM. With respect to each of the resolutions relating to the Proposals to be proposed at the AGM, any Unitholder who has a material interest in such resolution and that interest is different from that of all other Unitholders, shall abstain from voting in respect of such resolution. As at the date of this announcement, the REIT Manager is unaware of any Unitholders that are required to abstain from voting in respect of the proposed resolutions specifically mentioned in this announcement.

Further announcement(s) pertaining to the Proposals and/or the AGM will be made as and when appropriate.

By order of the Board  
**Regal Portfolio Management Limited**  
as manager of **Regal Real Estate Investment Trust**  
**Kai Ole RINGENSON**  
*Chief Executive Officer*

Hong Kong, 26th March, 2009

*As at the date of this announcement, the Board 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 Leslie LAM Kwing Wai and Hon Abraham SHEK Lai Him, J.P. as Independent Non-executive Directors.*