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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



ACQUISITION OF PROPERTY AND CONNECTED PARTY TRANSACTIONS

The Board is pleased to announce that, on 10 September 2009, the Trustee on behalf of Regal REIT (as Purchaser) and Paliburg Development BVI Holdings Limited (as the Vendor), among others, entered into the Sale and Purchase Agreement in relation to the sale and purchase of 75% of the total issued share capital of the Target Co, a wholly-owned subsidiary of the Vendor which indirectly owns the Property.

The Property, with a Gross Floor Area of approximately 58,870 square feet, consists of 22 entire floors, a portion of the ground floor, a flat roof on the 3rd floor and the upper roof, out of a total of 26 floors in the Building, together with the eastern and western elevations of the external walls of the Building and the architectural feature at the roof top of the Building. The Property comprises approximately 84% of the undivided interests of the site on which the Building is situated, namely, No. 211 Johnston Road, Wanchai, Hong Kong. The Property (excluding parts that are undergoing the Asset Enhancement Programme) is currently leased to tenants primarily for office use as at the date of this announcement.

The consideration for the Acquisition is based on an agreed price of HK\$468 million, which represents approximately a 2% discount to the Appraised Value of the Property of HK\$479 million as at 30 June 2009, assuming the completion of the Asset Enhancement Programme.

The total consideration payable for the Acquisition, together with the expenses incurred therein, will be funded using Regal REIT's own cash resources that are legally available for such purposes. The estimated expenses to be incurred by Regal REIT in connection with the Acquisition, including the acquisition fee payable to the REIT Manager, are approximately HK\$5.2 million.

The total amount payable by Regal REIT as at the date of Completion will be HK\$195,115,789.00 (excluding the expenses incurred in connection with the Acquisition), including:

- (i) the Core Share Consideration (including the amount of the Deposit), being HK\$59,350,917.32; and
- (ii) the Core Loan Assignment Consideration, being HK\$135,764,871.68.

Such amounts paid as at the date of Completion are subject to adjustments following Completion (subject to an overall cap (in respect of the aggregate amount of the Share Consideration and the Loan Assignment Consideration payable by the Purchaser to the Vendor) of HK\$210 million). The Property is currently encumbered by the Existing Bank Loan. Completion of the Sale and Purchase Agreement is conditional upon, among others, the Existing Mortgagee extending the Facilities to the Property Company for the purpose of repaying the indebtedness to the Assignor in order to refinance the Existing Bank Loan. The Vendor has agreed to procure that the balance of the Existing Bank Loan will be fully repaid upon Completion.

The Vendor has undertaken under the Sale and Purchase Agreement to undertake and complete the Asset Enhancement Programme by the Long Stop Date. Pursuant to the Asset Enhancement Programme, part of the Property (representing approximately 43% of the total Gross Floor Area of the Property) will be converted to include the Hotel and a coffee shop/restaurant on the ground floor.

The current deed of mutual covenant and management agreement relating to the Property will need to be amended in order to permit the intended use of the Property following the completion of the AEP. The Vendor has undertaken to, among others, procure that the Supplemental DMC is executed to permit the intended use of the Property following the AEP on or prior to the Long Stop Date.

Pursuant to the Sale and Purchase Agreement, the Purchaser (at the direction of the REIT Manager) has the right to sell and assign the Sale Shares and the Purchaser Loan to the Vendor, and to require the Vendor to accept such sale and assignment, if, among others, (i) any part of the AEP has not been fully completed and handed over to the Property Company or (ii) the Vendor fails to procure that the Supplemental DMC is executed, in each case by the Long Stop Date. The aggregate amounts payable by the Vendor for the Sale Shares and the Purchaser Loan are subject to an overall cap of HK\$392 million.

Pursuant to the Sale and Purchase Agreement, the Purchaser shall (at the direction of the REIT Manager), at its sole and absolute discretion, have the option to purchase the Vendor Shares and the Vendor Loan. The Purchaser may exercise such call option at any time during the period commencing from 1 November 2010 and expiring on 28 February 2011 (both dates inclusive). The aggregate amounts payable by the Purchaser for the Vendor Shares and the Vendor Loan are subject to an overall cap of HK\$98 million.

The Guarantor irrevocably and unconditionally guarantees to the Purchaser and the REIT Manager, among others, the due and punctual performance by the Vendor of all its obligations, undertakings, and covenants under the Sale and Purchase Agreement, and the due and punctual payment of all sums owing from or payable by the Vendor to the Purchaser under the Sale and Purchase Agreement.

Upon Completion, Regal REIT (through the Property Company) will enter into the PHL Lease with the PHL Lessee in respect of the Leased Property for a term from the day following the date of Completion to 31 December 2010. The monthly rent throughout the term of the PHL Lease will be HK\$2 million per calendar month (excluding management expenses, rates, Government rent and other sums payable by the PHL Lessee under the PHL Lease).

As at the date of this announcement, the Vendor is a wholly-owned subsidiary of PHL and PHL is a controlling shareholder (holding approximately 47.20% of the total issued shares) of Regal Hotels International Holdings Limited, a significant Unitholder of Regal REIT holding approximately 74.04% of the outstanding Units. Therefore, PHL Group is regarded as a connected person of Regal REIT under the REIT Code.

The Acquisition, together with the PHL Lease and other transactions under the relevant Transaction Documents, constitute connected party transactions for Regal REIT. Pursuant to paragraph 8.9 of the REIT Code, as the aggregate amount of the Share Consideration and the Loan Assignment Consideration (even on the assumption that such aggregate amount will equal the cap on consideration referred to in paragraph A.1.(iv) of this announcement), together with the value of the guarantee to be given by Regal REIT under the Facilities and the annualized payments under PHL Lease will be less than 5% of the latest net asset value of the Regal REIT (as disclosed in the latest published audited accounts of Regal REIT and adjusted for the 2008 final distributions made in 2009), the connected party transactions contemplated under the relevant Transaction Documents are only subject to the reporting and announcement requirements but exempt from the Unitholders approval requirements under Chapters 8 and 10 of the REIT Code.

THE TRANSACTION

The Board is pleased to announce that, on 10 September 2009, the Trustee on behalf of Regal REIT (as Purchaser) and the Vendor, among others, entered into the Sale and Purchase Agreement in relation to the sale and purchase of 75% of the total issued share capital of the Target Co, a wholly-owned subsidiary of the Vendor which indirectly owns the Property.

A. THE SALE AND PURCHASE AGREEMENT AND OTHER TRANSACTION DOCUMENTS

1. The Sale and Purchase Agreement

(i) *Key Terms of the Sale and Purchase Agreement*

Set out below is information regarding the Sale and Purchase Agreement entered into among the Vendor, the Purchaser, the Guarantor and the REIT Manager pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire and hold the Sale Shares:

Date: 10 September 2009.

Vendor: Paliburg Development BVI Holdings Limited, a wholly-owned subsidiary of the Guarantor.

Purchaser: The Trustee, as trustee of Regal REIT and on behalf of Regal REIT.

Guarantor: Paliburg Holdings Limited, as the guarantor of the Vendor's obligations under the Sale and Purchase Agreement.

REIT Manager: Regal Portfolio Management Limited, as the manager of Regal REIT.

(ii) *The Target Co and the Property Company*

The Target Co is a company incorporated in the British Virgin Islands solely for the purpose of holding the entire issued capital of the Property Company. The Property Company is a company incorporated in Hong Kong solely for the purpose of developing and holding the Property. The Property Company is a wholly-owned subsidiary of the Target Co.

(iii) *Consideration and Post-completion Adjustment*

The Share Consideration shall be 75% of the Adjusted Net Asset Value of the Target Group as at the date of Completion. In calculating the Adjusted Net Asset Value of the Target Group, the book value of the Property shall be substituted with an agreed price of HK\$468 million, which represents approximately a 2% discount (in an amount of HK\$11 million) to the Appraised Value of the Property of HK\$479 million as at 30 June 2009 (assuming the completion of the AEP). The Share Consideration shall be settled by the Purchaser in cash. The Share Consideration shall be satisfied in the manner set out below:

- a) The Deposit of HK\$30 million has, concurrently with entry into the Sale and Purchase Agreement, been paid to the Vendor on account of the Share Consideration.
- b) The Purchaser will, on behalf of Regal REIT, pay out of the assets of Regal REIT an amount of HK\$29,350,917.32, equivalent to the Core Share Consideration less the Deposit to the Vendor (or as it may direct), on the date of Completion.
- c) The Vendor shall at its sole cost and expense prepare a completion statement which shall show, among other things, the Vendor's calculation of the Share Consideration. Such completion statement shall be reviewed by the independent certified public accountants to be appointed by the Vendor at its sole cost and expense and shall be delivered to the Purchaser no later than 60 days after the date of Completion.
- d) The completion statement shall be subject to the agreement of the Purchaser or, failing agreement, determined by an independent expert according to the provisions of the Sale and Purchase Agreement.
- e) If, after agreement or determination of the completion statement,
 - (1) 75% of the Adjusted Net Asset Value of the Target Group as at the date of Completion is shown to be less than the Core Share Consideration, the difference between the Core Share Consideration and 75% of the Adjusted Net Asset Value of the Target Group as at the date of Completion, shall be repaid by the Vendor to the Purchaser; or
 - (2) 75% of the Adjusted Net Asset Value of the Target Group as at the date of Completion is shown to be more than the Core Share Consideration, the difference between 75% of the Adjusted Net Asset Value of the

Target Group as at the date of Completion and the Core Share Consideration, shall be paid by the Purchaser (out of the assets of Regal REIT) to the Vendor subject to the cap as set out under paragraph A.1.(iv) below.

- f) The adjustment set out in the above paragraph e) shall be settled within 10 business days after the date of agreement or determination of the completion statement, contemporaneously with the adjustment for the Loan Assignment Consideration, as set out in paragraph A.3 below.

(iv) ***Cap on Consideration***

In no event shall the aggregate of the amounts payable by the Purchaser on account of the Share Consideration and the Loan Assignment Consideration exceed HK\$210 million. If the payment by the Purchaser of any post-completion adjustment as described under paragraphs A.1.(iii).(e) and A.3 of this announcement would cause the aggregate amount of the Share Consideration and the Loan Assignment Consideration payable by the Purchaser to exceed HK\$210 million, then the adjustment payments shall be reduced accordingly.

(v) ***Conditions Precedent***

Completion is subject to and conditional upon satisfaction of certain conditions, including but not limited to the following:

- (a) each of the Vendor, the Guarantor and Century City International Holdings Limited, the listed holding company of the Guarantor, obtaining its directors' and shareholders' approval of the transactions contemplated by the Transaction Documents, as appropriate, in a form satisfactory to the Purchaser and the REIT Manager and in accordance with their respective articles of association or bye-laws and the Listing Rules (as the case may be);
- (b) the REIT Manager being satisfied with the results of (i) its inspection and investigation as to the Target Group, including without limitation the financial, legal and contractual, taxation and trading position of the Target Group Companies and the title of the Target Group Companies to their respective assets (including, without limitation, the Property), and (ii) its physical and technical inspection and investigation of the Property, including the receipt by the REIT Manager of a building survey in form and substance satisfactory to the REIT Manager;

- (c) the REIT Manager approving the title to the Property and being satisfied that the Property Company has good marketable legal and beneficial title to the Property (in accordance with the provisions of section 13 of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong));
- (d) the Facilities being available for drawing and all documentation therefor being in form and substance satisfactory to the Purchaser (acting on the recommendation of the REIT Manager) and providing, without limitation, for the release of the Purchaser from any guarantee given as security for the Facilities upon it (or its nominee(s)) ceasing to be a shareholder of the Target Co pursuant to the exercise of the put right referred to in paragraph A.1.(ix) below;
- (e) the Purchaser and the REIT Manager being provided with such evidence as they may reasonably require confirming (to the satisfaction of the REIT Manager and the Purchaser) that, immediately upon the drawing of the Facilities at Completion, all indebtedness under the Existing Bank Loan shall be discharged, all shares in the capital of the Target Co and the Property Company shall be released from all encumbrances, and all other security created by the Target Co, the Property Company or any of their Associated Companies in connection with the Existing Bank Loan (including, without limitation, the Existing Mortgage), shall be released; and
- (f) all necessary consents or waivers being granted by third parties (including any governmental or official authorities) in connection with the transactions contemplated under the Transaction Documents and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the 75% issued shares of the Target Co, the assignment of the Inter-company Loan and/or the operation of the business by any member of the Target Group after Completion having been proposed, enacted or taken by any governmental or official authority.

The Purchaser (at the direction of the REIT Manager) may in its absolute discretion waive either in whole or in part at any time by notice in writing to the Vendor any of the conditions precedent (to the extent permitted by the REIT Code, the Listing Rules and other applicable laws or regulations).

If any of the conditions precedent under the Sale and Purchase Agreement have not been satisfied on or before 5 p.m. Hong Kong time on 31 October 2009 (or such later date as may be agreed by the Vendor and the Purchaser (acting on the recommendation of the REIT Manager) in writing), then the Purchaser acting on

the recommendation of the REIT Manager may on that date, at its option, by notice to the Vendor, a) waive the conditions which have not been satisfied; or b) postpone the aforementioned date to a later date (being a business day and not more than 10 business days from the aforementioned date), or such other date as may be agreed by the parties; or c) terminate the Sale and Purchase Agreement.

(vi) ***Completion***

Within 5 business days of the conditions precedent under the Sale and Purchase Agreement noted in paragraphs A.1.(v).(a) to A.1.(v).(f) above having been met to the satisfaction of the Purchaser (or waived), the Purchaser shall (acting on the recommendation of the REIT Manager) give a notice to the Vendor confirming that the Purchaser is prepared to proceed with the Completion. The Completion shall take place on such date as may be agreed in writing between the Purchaser and the Vendor following the giving of such notice, and in any event within 10 business days of the giving of such notice.

(vii) ***REIT SPV***

At Completion, the Purchaser intends to nominate the REIT SPV to be the transferee of the Sale Shares and the assignee of the Inter-company Loan and to execute the relevant Transaction Documents as transferee or assignee (as the case may be) in the place of the Purchaser.

(viii) ***Asset Enhancement Programme***

The Vendor has undertaken under the Sale and Purchase Agreement to undertake and complete the Asset Enhancement Programme. For more details of the Asset Enhancement Programme, please refer to the paragraph B.2 of this announcement.

The Vendor has undertaken that it will execute and complete, and/or will procure the execution and completion of, by no later than the Long Stop Date, at its sole cost and expense, the Asset Enhancement Programme, in accordance with certain agreed configurations, in good and workmanlike manner and also in accordance with all relevant and necessary Government land grant modifications, consents, permits and approvals and in a condition which is, in the reasonable opinion of the REIT Manager, fit for letting and use for the purpose for which it was constructed.

Detailed specifications and fittings and fixtures on the Asset Enhancement Programme shall be submitted to the Property Company for approval and the

Asset Enhancement Programme shall only be carried out in accordance with such detailed specifications so approved by the Property Company. Any change of the agreed configurations or detailed specifications shall also be approved by the Property Company in advance.

The Vendor shall execute and complete the Asset Enhancement Programme at its sole cost and expense. When a payment under the relevant AEP Contracts becomes payable, the Vendor shall provide the necessary funding to the Property Company or discharge and settle on behalf of the Property Company all payments payable by the Property Company under the relevant AEP Contracts. The Vendor shall also discharge all other commitments, responsibilities and obligations of the Property Company under the relevant AEP Contracts.

The Vendor shall further, by no later than the Long Stop Date, hand over each relevant part of the premises subject to the Asset Enhancement Programme to the REIT Manager and the Property Company and will also deliver to the Property Company all necessary fire permits, hotel licences, and relevant Government department consents, approvals and other licences, so that such part of the premises can be fit and lawful for letting to hotel guests and other occupants (as the case may be), and otherwise in a condition satisfactory to the REIT Manager.

The current deed of mutual covenant and management agreement relating to the Property will need to be amended in order to permit the intended use of the Property following the completion of the Asset Enhancement Programme. The Vendor has undertaken to, on or prior to the Long Stop Date, either (i) procure that the Supplemental DMC is executed by The Financial Secretary Incorporated with such amendments as may have been approved by the Purchaser (acting on the recommendation of the REIT Manager) to permit the intended use of the Property following the Asset Enhancement Programme, or (ii) obtain a court declaration that the Supplemental DMC signed by the Property Company alone is enforceable.

If any part of the Asset Enhancement Programme has not been fully completed and handed over to the Property Company by the Long Stop Date and accepted by the REIT Manager, the Purchaser shall (at the direction of the REIT Manager), at its sole and absolute discretion, have the right to accept any completed part of the Asset Enhancement Programme project that it has not yet accepted, and enter the uncompleted part, and the Vendor and the Guarantor have jointly and severally undertaken to indemnify the Purchaser and each Target Group Company against any loss, damages, costs, expenses and other liabilities

which the Purchaser and/or each Target Group Company may incur or suffer in connection with any failure of the Asset Enhancement Programme to be fully completed and handed over to the Property Company in accordance with the provisions of the Sale and Purchase Agreement.

It has been commercially agreed in the negotiations for the Acquisition that no liquidated damages would be paid by the Vendor in the event of a failure on its part to complete the Asset Enhancement Programme. The indemnity arrangement as described above, together with the put right described in paragraph A.1.(ix) below, are sufficient in the view of the REIT Manager, to protect Regal REIT against adverse financial consequences in the event of the Vendor's default.

The Vendor has undertaken under the Sale and Purchase Agreement that, in relation to each part of the Asset Enhancement Programme, it has obtained all necessary approvals (including approvals for alteration of the building plans of the Property) up to the relevant stage of the construction work from the relevant departments of the Government and it will obtain such other approvals as may be necessary from time to time as construction progresses and up till completion of the Asset Enhancement Programme.

(ix) ***Put Right***

Pursuant to the Sale and Purchase Agreement, the Purchaser (at the direction of the REIT Manager) has the right to sell and assign the Sale Shares and the Purchaser Loan to the Vendor, and to require the Vendor to accept such sale and assignment, if on the Long Stop Date, (i) any part of the AEP has not been fully completed and handed over to the Property Company and accepted by the REIT Manager, or (ii) the Vendor has not complied with its undertaking to procure that the Supplemental DMC is executed or that a court declaration is obtained that it is enforceable. Such right may be exercised by the Purchaser at any time within 30 days following the Long Stop Date.

Upon the exercise of such right by the Purchaser under the Sale and Purchase Agreement, (i) the Purchaser shall sell (or procure the sale of), and the Vendor shall purchase, the Sale Shares for a consideration equal to seventy-five per cent (75%) of the Adjusted Net Asset Value of the Target Group as at the date of completion of such transfer; and (ii) the Purchaser shall assign (or procure the assignment of), and the Vendor shall accept the assignment of, the Purchaser Loan, for a consideration equal to the carrying amount of the Purchaser Loan as at such date. Such consideration shall be determined, paid and subject to post-transfer adjustment in accordance with a mechanism similar to that applicable to the Share Consideration and the Loan Assignment Consideration.

In particular, in calculating the Adjusted Net Asset Value of the Target Group, the book value of the Property shall be substituted with an agreed price of HK\$468 million, the same amount used in determining the Share Consideration.

In no event shall the aggregate of the amounts payable by the Vendor as consideration for the Sale Shares and the Purchaser Loan exceed HK\$392 million. If the payment by the Vendor of the post-transfer adjustment as described above would result in such amounts to exceed HK\$392 million, then the adjustment payments shall be reduced accordingly.

In order to recognize potential fluctuations in the value of the other assets and liabilities of the Target Group (such as cash, accounts receivable and accounts payable) between Completion and the date of the transfer pursuant to the exercise of the above put right, the parties have agreed that the consideration payable by the Vendor to the Purchaser in connection with such exercise is to be based on the Adjusted Net Asset Value of the Target Group and the carrying amount of the Purchaser Loan as at the date of completion of such transfer. Accordingly, (depending principally on the extent to which dividends have been declared or the Purchaser Loan has been repaid), such consideration may be more, or less, than the consideration paid by the Purchaser (on behalf of the Regal REIT) to the Vendor for the purchase and assignment of the Sale Shares and the Inter-company Loan. The REIT Manager is of the view that, assuming the completion of the transfer pursuant to the above put right, Regal REIT will have recovered (either by way of consideration, dividends or Purchaser Loan repayments) an aggregate amount that is at least equivalent to the consideration paid for the purchase and assignment of the Sale Shares and the Inter-company Loan.

The Vendor shall procure that the Purchaser, Regal REIT and each of its Associated Companies are released forthwith upon the sale and assignment of the Sale Shares and the Purchaser Loan from any and all obligations under any guarantee or indemnity or other security given in support of the obligations of any of the Target Group (under the Facilities or otherwise).

The Guarantor and the Vendor have undertaken to indemnify the Purchaser, Regal REIT and each of its Associated Companies against any loss, damages, costs (including all legal costs on a solicitor and own client basis), expenses and other liabilities which the Purchaser, Regal REIT and/or each of its Associated Companies may incur or suffer in connection with the exercise of the above mentioned right by the Purchaser under the Sale and Purchase Agreement and any guarantee, indemnity or other security given in support of the obligations of any of the Target Group Companies.

(x) *Call Option*

Pursuant to the Sale and Purchase Agreement, the Purchaser (at the direction of the REIT Manager) shall, at its sole and absolute discretion, have the option to purchase the Vendor Shares and the Vendor Loan. The Purchaser may exercise such call option at any time during the period commencing from 1 November 2010 and expiring on 28 February 2011 (both dates inclusive).

Upon the exercise of such call option by the Purchaser under the Sale and Purchase Agreement, (i) the Vendor will sell (or procure the sale of), and the Purchaser shall purchase, the Vendor Shares for a consideration equal to twenty-five per cent (25%) of the Adjusted Net Asset Value of the Target Group as at the date of completion of such transfer; and (ii) the Vendor will assign (or procure the assignment of), and the Purchaser shall accept the assignment of, the Vendor Loan, for a consideration equal to the carrying amount of the Vendor Loan as at such date. Such consideration shall be determined, paid and subject to post-transfer adjustments in accordance with a mechanism similar to that applicable to the Share Consideration and the Loan Assignment Consideration, except that the book value of the Property shall be substituted with an agreed amount of HK\$479 million, representing the Appraised Value of the Property (without any discount). No premium is payable for the call option.

In no event shall the aggregate of the amounts payable by the Purchaser as consideration for the Vendor Shares and the Vendor Loan exceed HK\$98 million. If the payment by the Purchaser of the post-transfer adjustment as described above would result in such amounts to exceed HK\$98 million, then the adjustment payments shall be reduced accordingly.

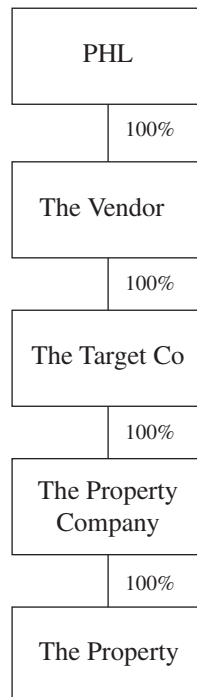
As at the date of this announcement, the Purchaser (at the direction of the REIT Manager) does not have any intention to exercise the call option. In any case, in the event that it is determined that it would be in the interests of the Unitholders to acquire the remaining 25% interest in the Target Co, the exercise of the call option to achieve this is not expected by the REIT Manager to take place until after the completion of the AEP. The Purchaser (at the direction of the REIT Manager) will consider, among others, (i) the performance of the Hotel and Lettable Areas in the Property; (ii) the appraised value of the Property at the relevant time; (iii) the market outlook for various market segments including the hotel and office segments; and (iv) the cost of capital in connection with the exercise of the call option, including the prevailing capital and financing market conditions and the financial position of Regal REIT at the relevant time.

(xi) **Guarantee**

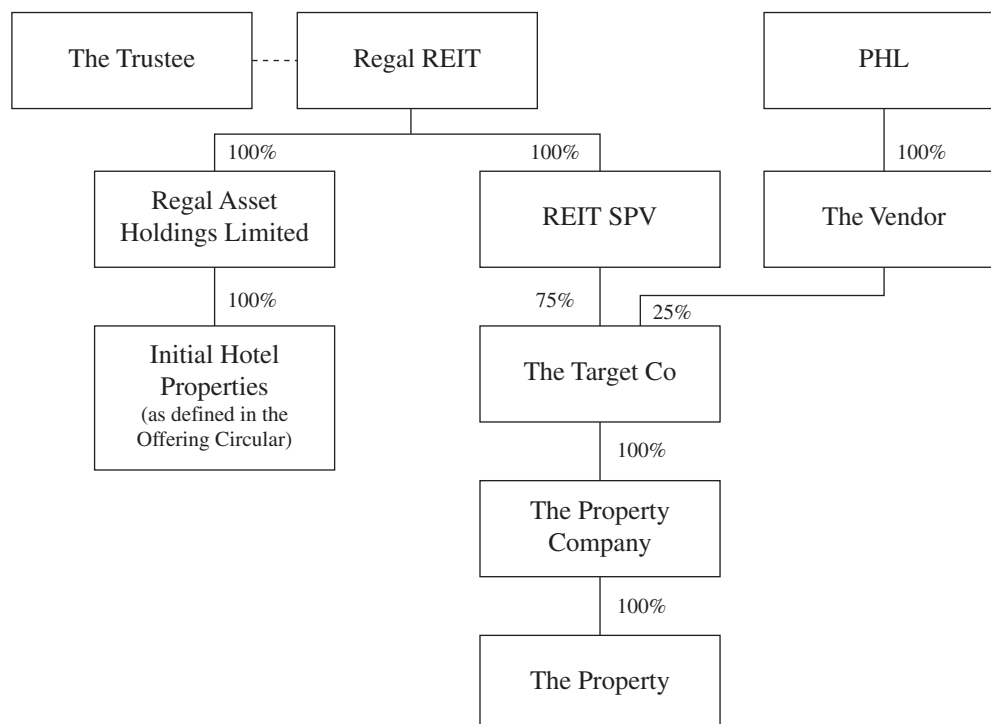
In consideration of the Purchaser agreeing to enter into the Sale and Purchase Agreement with the Vendor, the Guarantor irrevocably and unconditionally guarantees to the Purchaser and the REIT Manager, as primary obligor and not merely as surety, the due and punctual performance by the Vendor of all its obligations, commitments, undertakings, warranties, indemnities and covenants under and pursuant to the Sale and Purchase Agreement and the Deed of Tax Indemnity, and the due and punctual payment of all sums now or subsequently owing from or payable by the Vendor to the Purchaser under the Sale and Purchase Agreement and the Deed of Tax Indemnity, as and when the same become due.

2. **Structure Diagram**

- (i) Set out below is a diagram showing the ownership structure of the Property before Completion:



(ii) Set out below is a diagram showing the expected ownership structure of the Property after Completion:



3. Assignment of Inter-company Loan

The Assignor, the Assignee, PHL and the Property Company will enter into the Inter-company Loan Assignment on the date of Completion. Pursuant to the Inter-company Loan Assignment, the Inter-company Loan shall be assigned to the Assignee at Completion for the Loan Assignment Consideration to be paid by or on behalf of the Assignee to the Assignor.

The Loan Assignment Consideration shall be the carrying amount of the Inter-company Loan as at the date of Completion, assuming that the Facilities have been fully drawn down, and the Property Company has applied the net proceeds thereof to partly repay its indebtedness to the Assignor, in accordance with the Sale and Purchase Agreement. The Loan Assignment Consideration shall be settled by or on behalf of the Assignee in cash. The Loan Assignment Consideration shall be satisfied in the manner set out below:

(i) The Core Loan Assignment Consideration of HK\$135,764,871.68 shall be paid by or on behalf of the Assignee to the Assignor on the date of Completion.

- (ii) The Assignor shall at its sole cost and expense prepare a completion statement which shall show, among other things, the Assignor's calculation of the Loan Assignment Consideration. Such completion statement shall be reviewed by the independent certified public accountants to be appointed by the Assignor at its sole cost and expense and shall be delivered to the Assignee no later than 60 days after the date of Completion.
- (iii) The completion statement shall be subject to the agreement of the Assignee or, failing agreement, determined by an independent expert according to the provisions under the Inter-company Loan Assignment.
- (iv) If, after agreement or determination of the completion statement,
 - (a) the value of the Core Loan Assignment Consideration is shown to be less than the value of the Loan Assignment Consideration as at the date of Completion, the difference between the Core Loan Assignment Consideration and the Loan Assignment Consideration as at the date of Completion shall be paid by or on behalf of the Assignee to the Assignor; or
 - (b) the value of the Core Loan Assignment Consideration is shown to be more than the value of the Loan Assignment Consideration as at the date of Completion, the difference between the Core Loan Assignment Consideration and the Loan Assignment Consideration as at the date of Completion shall be paid by the Assignor to the Assignee (or as the Assignee may direct).
- (v) The adjustment set out in the above paragraph (iv) shall be settled within 10 business days after the date of agreement or determination of the completion statement.

Pursuant to the Inter-company Loan Assignment, PHL will irrevocably and unconditionally guarantee to the Assignee, as primary obligor and not merely as surety, the due and punctual performance by the Assignor of all its obligations, commitments, undertakings, warranties, indemnities and covenants under and pursuant to the Inter-company Loan Assignment and the due and punctual payment of all sums now or subsequently owing from or payable by the Assignor to the Assignee under the Inter-company Loan Assignment, as and when the same become due.

4. **Deed of Tax Indemnity**

On the date of Completion, the Vendor and PHL will enter into the Deed of Tax Indemnity in favor of the Purchaser and the Target Group Companies. Pursuant to the Deed of Tax Indemnity, the Vendor and PHL will covenant, undertake and agree with the Purchaser and the Target Group Companies that they will indemnify on demand the Purchaser and the Target Group Companies in respect of, among other things,

- (i) any liability for taxation resulting from or by reference to any event (including without limitation the transactions contemplated under the Sale and Purchase Agreement and at Completion) occurring on or before Completion or in respect of any income, profits or gains earned, accrued or received by any of the Target Group Companies on or before Completion; and
- (ii) any and all taxation in respect of any clawback of commercial building allowances granted up to and including the date of Completion resulting from the sale of the Property or any part thereof by the Property Company.

A claim can be made on or prior to the seventh anniversary of the Deed of Tax Indemnity.

5. **AEP Agency Deed**

To facilitate the carrying out of the Asset Enhancement Programme, the Property Company, the AEP Agent (a wholly-owned subsidiary of PHL) and PHL will enter into the AEP Agency Deed at the date of Completion, whereby the Property Company appoints the AEP Agent to enter into the AEP Contracts on its behalf. No additional amount is payable by the Property Company under the AEP Agency Deed. Unless the Property Company has given its prior written consent (which, in the case of (i) below, shall not be unreasonably withheld), the AEP Agent shall not have any power to commit the Property Company to:

- (i) assume any liability whatsoever, other than liability to pay contract sums which, in aggregate, do not amount to more than the estimated cost of the Asset Enhancement Programme, as set out in paragraph B.2 of this announcement, together with cost overruns limited to 30% of such estimated cost, in respect of the AEP Contracts; or
- (ii) encumber any of its assets or discharge any other obligation.

The AEP Agent is required to coordinate and ensure the carrying out and completion of the Asset Enhancement Programme in accordance with the terms of the Sale and Purchase Agreement. PHL has guaranteed the AEP Agent's obligations under the AEP Agency Deed and undertaken to indemnify the Property Company against all losses and damages sustained by it from any non-payment or default of any kind by the AEP Agent. The AEP Agent has undertaken to indemnify the Property Company from and against all costs, losses and liabilities arising from the AEP Contracts, and has agreed to, among others, settle all payments on behalf of the Property Company when due or payable and to procure that project managers, consultants and other professional advisers discharge their duties under the AEP Contracts.

6. **PHL Lease**

(i) ***General***

Upon Completion, Regal REIT (through the Property Company, being then its subsidiary and the registered owner of the Property) will enter into the PHL Lease with the PHL Lessee in respect of the Leased Property (such Leased Property consists of the Hotel Portion and the Lettable Areas) for a term from the day following the date of Completion to 31 December 2010.

(ii) ***Rent***

The monthly rent throughout the term of the PHL Lease will be HK\$2 million per calendar month (excluding management expenses, rates, Government rent and other sums payable by the PHL Lessee under the PHL Lease).

The monthly rental amount of HK\$2 million, and the other terms of the PHL Lease, have been negotiated as part of the larger arrangement pursuant to and on the basis of which the Vendor and the REIT Manager have reached an agreement in relation to the Acquisition. The actual rental payable by the existing tenants in respect of the Property is currently HK\$525,608.00 per month, and is expected to rise when the AEP is completed and the operations of the Hotel commence. Accordingly, the monthly rental amount of HK\$2 million is not intended to be representative of the current market rental, but rather is intended to allow Regal REIT to avoid taking the initial re-development and start-up risk in relation to the Property, and to benefit instead from a predictable and regular rental yield and income stream during the period in which the Property will be undergoing the AEP and thereafter up to 31 December 2010. This monthly rental amount of HK\$2 million represents an initial unleveraged yield of approximately 5% per annum, based on the agreed price for the Property of HK\$468 million. This monthly rental amount has been subject to negotiation with the Vendor, and the

REIT Manager is of a view that this represents a reasonable yield to the Unitholders during the term of the PHL Lease. The actual rental and hotel income of the whole of the Property for the period after the completion of the AEP and expiry of the PHL Lease may be more, or less than, the HK\$2 million monthly rental payable under the PHL Lease depending on prevailing market conditions at the relevant time.

(iii) ***Right and Obligation to Operate***

The PHL Lessee has the rights and obligations under the PHL Lease, after the issuance of the hotel licence in respect of the Hotel Portion, to manage and to operate, or to procure a hotel manager to manage and operate, the Hotel at no less than the same or higher management and operating standards as what are prevailing in hotels of comparable size, location, level of technology and quality of service in Hong Kong, and shall provide the hotel services of a comparable standard (or procure a hotel manager to do so under the terms of the Hotel Management Agreement), at the Hotel Portion. The PHL Lessee may delegate its obligation to operate and manage the Hotel to a hotel manager under the Hotel Management Agreement. Such hotel manager will be appointed as the hotel manager of the Hotel by the PHL Lessee (subject to prior written approval of the Property Company) for the period from the date on which the hotel licence is issued until the expiry or earlier termination of the PHL Lease.

During the term of the PHL Lease, the PHL Lessee shall at its own cost and expense, among other things, maintain and promptly renew the hotel licence and other licences to enable the hotel manager to operate the Hotel Portion, comply with all the conditions imposed under the hotel licence and other licences, maintain the Hotel Portion in good operating conditions and repair and maintain insurance in respect of the Hotel Portion.

In respect of the Lettable Areas, the PHL Lessee is authorised and appointed by the Property Company to manage or, where appropriate, to delegate to the hotel manager under the Hotel Management Agreement the power to manage the Lettable Areas in a commercially reasonable manner. The PHL Lessee shall, among other things, formulate and implement leasing strategies for the Lettable Areas, enforce tenancy conditions for the Lettable Areas and secure and administer routine management services for the Lettable Areas. The PHL Lessee shall act in the best interests of the Property Company with a view to optimize rental income of the Lettable Areas by implementing strategies that are likely to generate optimal results.

The PHL Lessee will enter into the Hotel Management Agreement with the hotel manager at any time after the signing of the PHL Lease. The PHL Lessee will appoint (subject to the prior written approval of the Property Company) Regal Hotels International Limited, the hotel manager of the Initial Hotel Properties (as defined in the Offering Circular) of Regal REIT, to be the hotel manager to manage the Hotel after the issuance of the hotel licence.

(iv) ***Existing Tenancies and Underletting by the PHL Lessee***

Excluding the Hotel Portion and parts of the Leased Property which are vacant (comprising approximately 18% of the total Gross Floor Area of the Property) as at the date of this announcement, certain parts of the Leased Property are leased out to various tenants to use as offices or other purposes under the existing tenancy agreements and licences. The PHL Lessee is required, at its own costs and expenses, to observe and perform all covenants, terms, conditions, stipulations and obligations in the existing tenancies of the Leased Property to be observed and performed by the Property Company as landlord/lessor/licensor and shall exercise or enforce such rights under the existing tenancies to be exercised or enforced by the Property Company as landlord/lessor/licensor.

The PHL Lessee has the right to underlet those parts of the Lettable Areas which are vacant or which become vacant after the PHL Lease becomes effective. The PHL Lessee shall be responsible for enforcing the terms of such underleases, and shall not waive or accept any material breach by the underlessee or accept early termination or surrender, without the prior written consent of the Property Company.

(v) ***Routine Maintenance and Repair***

The PHL Lessee is primarily responsible, at its sole cost and expense, for the repair and maintenance of the interior and exterior of the Leased Property subject to the PHL Lease, including without limitation, electrical and mechanical equipment, floor coverings, furniture, grounds and landscaping, plumbing, air-conditioning and ventilation, telephone equipment and life and safety/security system. In addition to the foregoing, in respect of the Hotel Portion, the PHL Lessee shall, at its sole cost and expense, repair, maintain and replace FF&E and operating equipment, the refrigeration, TV/radio, curtains and drapes, kitchen equipment and shall be responsible for expenses for engineering supplies and general repair and maintenance operating supplies.

(vi) ***PHL Lease Guarantee***

Pursuant to the PHL Lease Guarantee to be entered into at Completion, in consideration of the Property Company agreeing to enter into the PHL Lease with the PHL Lessee, PHL will guarantee: (a) the PHL Lessee's obligations to pay to the Property Company and the Trustee, on demand by the Property Company or the Trustee (on behalf of Regal REIT and at the direction of the REIT Manager), all amounts (including, without limitation, all rents, other charges and outgoings, interest, default interest, fees and costs) from time to time owing or payable to the Property Company under the PHL Lease, and (b) the due observance and performance of, all terms, conditions, covenants, agreements and obligations contained in the PHL Lease, and on the part of the PHL Lessee, to be observed and performed.

(vii) ***Early Termination***

The Property Company shall have the right to terminate the PHL Lease at any time during the term of the PHL Lease by giving three months' prior written notice to the PHL Lessee but without compensation interest or costs paid by the Property Company to the PHL Lessee and the PHL Lessee will not have any claim whatsoever against the Property Company for such early termination of the PHL Lease. On the expiration of such notice, the PHL Lease will absolutely determine but without prejudice to the rights and remedies of either party against the other in respect of any antecedent claim or breach of any of the obligations under the PHL Lease.

The REIT Manager intends, at the expiry of the PHL Lease (at which time the AEP is expected to have been completed and it is expected that the Hotel will have been in operation for some length of time), to explore all commercially viable options then available in respect of the Property. Depending on the prevailing circumstances and market conditions at such time, this may include negotiating with interested parties for the lease of the Property and/or entering into a hotel management agreement with Regal Hotels International Limited or other appropriate hotel operator, for the operation of the hotel in the Property, and/or negotiating continuations or extensions of the leases of such tenants as may be in occupation of the other parts of the Property at such time.

(viii) ***Other Parts of the Property Not Subject to the PHL Lease***

Certain units of the Property (comprising approximately 7% of the total Gross Floor Area of the Property) are not subject to the PHL Lease as the terms of the existing tenancies in respect of these units are longer than the term of the PHL Lease and therefore such units cannot, legally speaking, be included in the PHL

Lease. As the agreed monthly rental of HK\$2 million under the PHL Lease represents an initial unleveraged yield of approximately 5% per annum, based on the agreed price for the whole of the Property of HK\$468 million and has been negotiated and agreed on the basis that such amount is to be paid to the Property Company in lieu of the rental and hotel income of the whole of the Property (including such units of the Property that do not form part of the Leased Property under the PHL Lease) after the completion of the AEP, the parties agree that the total monthly rental amount (of approximately HK\$72,669) actually received by Property Company from the tenants/licensees of such units of the Property will be credited to the PHL Lessee. The PHL Lessee shall be responsible for all costs and expenses that will be incurred by the Property Company in relation to those tenancies/leases/licences as if such part of the Property form part of the subject premises of the PHL Lease.

7. Shareholders Agreement

(i) *Shareholders Agreement*

As the Vendor will retain a 25% interest in the issued share capital of the Target Co after Completion, the Target Co will be owned as to 75% by Regal REIT and 25% by the PHL Group. The Shareholders Agreement will be entered into at Completion among REIT SPV, the Vendor, the Trustee (in its capacity as trustee of Regal REIT), PHL and the Target Co to govern certain of the rights and obligations of the shareholders of the Target Co. Set out below is a description of the principal terms of the Shareholders Agreement.

(ii) *Management of the Target Co*

The board of directors of the Target Co will consist of 4 members, 3 of which will be nominated and appointed by the REIT SPV (subject to the instruction of the Trustee following the recommendation of the REIT Manager) and the remaining one will be nominated and appointed by the Vendor. REIT SPV will be entitled to appoint the chairman of the board of the Target Co. Regal REIT will accordingly have majority ownership and control of the Target Co.

The shareholders of the Target Co shall exercise all voting rights and other powers of control available to them in relation to the Target Group to procure that no member of the Target Group shall without the prior written approval of both shareholders, which approval may be given by the shareholder or a director appointed by it or his alternate:

- (1) issue or agree to issue or grant any option over or right to acquire any additional shares or purchase or redeem any shares;

- (2) consolidate, subdivide or convert any of its share capital;
- (3) issue any debentures or other securities convertible into shares or debentures;
- (4) carry on any business other than the business activities of the Target Group as carried on and under development as at the date of the Shareholders Agreement, comprising principally of the ownership and operation of the Property, or otherwise change the nature or geographical area of such business;
- (5) consolidate or merge with or acquire any other business;
- (6) enter into any partnership or joint venture arrangement;
- (7) create any fixed or floating charge, lien (other than a lien arising by operation of law) or other encumbrance over the whole or any part of its undertaking, property or assets, except for the purpose of securing its indebtedness in respect of the Facilities or any alternative arrangements in replacement or refinancing of the Facilities;
- (8) make any loan, advance or give any credit to shareholders, or repay any shareholder loan, except to REIT SPV or the Vendor in the proportion of each shareholder's respective shareholding percentage in the Target Co;
- (9) sell, transfer, lease, assign or otherwise dispose of any material part of its undertaking, property or assets (or any interest therein) or contract so to do otherwise than (i) in the ordinary course of business, or (ii) in accordance with the REIT Code, applicable laws and the investment objectives and/or policy of Regal REIT; or
- (10) make, amend or terminate any long-term, unusual or onerous contract (long-term meaning a contract under which the obligations of any party thereto may remain outstanding for more than 3 years) or take any action which could, as a consequence of any action taken by another party, result in any of the same, otherwise than in the ordinary course of business and other than any amendment or termination of the PHL Lease in accordance with the terms thereof, or any lease and/or hotel management agreement entered into in replacement of the PHL Lease.

Regal REIT, via REIT SPV, will have the power to make all decisions relating to the Target Co and the Property, and to exercise control over the management and strategic development of the Property.

(iii) ***Restriction on the transfer of shares in the Target Co***

The Vendor is not allowed to sell, encumber or otherwise dispose of any of its shares in the Target Co prior to 1 March 2011.

Except as provided above, each shareholder will be free to sell, encumber or otherwise dispose of any of its shares in the Target Co by sending a prior written notice to the other shareholder, provided that in the case where any shareholder of the Target Co is transferring its entire shareholding in Target Co to a third party, another person replacing the existing guarantor has agreed to guarantee the performance of the obligations of the third party transferee on equal terms to those under the Shareholders Agreement, and such new guarantor possesses financial standing and responsibility at the time so as to give reasonable assurance of compliance by the third party transferee with all of the terms, covenants, provisions and conditions of the Shareholders Agreement.

(iv) ***Guarantee***

PHL irrevocably and unconditionally guarantees to REIT SPV, as primary obligor and not merely as surety, the due and punctual performance by the Vendor of all its obligations, commitments, undertakings, warranties, indemnities and covenants under the Shareholders Agreement, and the due and punctual payment of all sums payable by the Vendor to the REIT SPV under the Shareholders Agreement, as and when the same becomes due.

Subject to the terms of the Shareholders Agreement, the Trustee, in its capacity as trustee of Regal REIT, irrevocably and unconditionally guarantees to the Vendor, as primary obligor and not merely as surety, the due and punctual performance by REIT SPV of all its obligations, commitments, undertakings, warranties, indemnities and covenants under and pursuant to the Shareholders Agreement, and the due and punctual payment of all sums payable by the REIT SPV to the Vendor under the Shareholders Agreement, as and when the same shall become due.

(v) ***Finance of the Target Group***

In the event that security for the Facilities is required, or as determined by the Target Co's board, alternative financing arrangements in replacement or refinancing of the Facilities are required, each shareholder shall, if requested by a lender as a condition of granting any such facility, offer to guarantee the facility on terms to be determined by the Target Co's board, provided that the liability of the shareholders in respect of any such guarantees (a) shall not (unless otherwise agreed by the shareholders) exceed an aggregate principal

amount of HK\$250 million, and (b) shall be in the proportion of each shareholder's respective shareholding percentage in the Target Co. The shareholders shall have no obligation to enter into a joint and several guarantee.

(vi) ***Dividends***

Subject to any agreement or restriction binding the Target Group, the shareholders shall procure that for each financial year, the distributable profits of each member of the Target Group other than the Target Co are distributed up to the Target Co by way of dividend and that the Target Co distributes by way of dividend all of the profits available for distribution after appropriation of prudent and proper reserves as may be determined by the board. Such distributions shall be made at such time and according to such frequency as the board of the Target Co may determine, but at least once in respect of each financial year. As each share of the Target Co carries an equal right to receive dividends, the shareholders of the Target Co will receive dividends in the proportion of each shareholder's respective shareholding percentage in the Target Co.

B. THE PROPERTY

1. General Information

The portion of the Building proposed to be acquired by Regal REIT under the Acquisition consists of 22 entire floors, a portion of the ground floor, a flat roof on the 3rd floor and the upper roof, out of a total of 26 floors in the Building, together with the eastern and western elevations of the external walls of the Building and the architectural feature at the roof top of the Building, comprising approximately 84% of the undivided interests of the site on which the Building is situated, namely, No. 211 Johnston Road, Wanchai, Hong Kong. The Property is held under a lease from the Government of Hong Kong which will expire on 24 May 2028 (renewable for 99 years).

The remaining portion of the ground floor (excluding the common area) and the entire 1st and 2nd floors of the Building, comprising approximately 16% of the undivided interests of the site on which the Building is situated, are currently owned by The Financial Secretary Incorporated, a third party independent of Regal REIT. The 3rd floor of the Building is used primarily for electrical and mechanical works and other related building infrastructure.

The Property is located in Wanchai, one of the busiest commercial and entertainment districts in Hong Kong. There are mainly medium to high rise office towers and composite buildings in the immediate vicinity of the Property. Major commercial developments nearby include the Emperor Group Centre, Tai Yau Building and Tai Tung Building.

The Property also benefits from extensive transport links with the rest of the territory, such as Admiralty and Central, as well as the Hong Kong Convention and Exhibition Centre. Johnston Road is a major artery with high volume of vehicle and pedestrian traffic. There are various types of public transport available in the neighbourhood, such as trams, buses and mini buses. The Wanchai MTR Station is approximately a five-minute walk from the Property.

2. Asset Enhancement Programme

A portion of the Property will be converted into the Hotel and a coffee shop/restaurant under the AEP (as described below). Excluding the portion which will be subject to the AEP and other units or floors which are vacant (comprising approximately 18% of the total Gross Floor Area of the Property) as at the date of this announcement, the remaining portion of the Property is currently leased to various tenants (which are independent from Regal REIT) to use as offices under 32 tenancy agreements and/or licences for an aggregate monthly rental of approximately HK\$525,608.00 as at the date of this announcement. The average monthly gross rent per square foot of such portion of the Property subject to existing tenancies is HK\$21.14.

With a view to enhancing the Property and increasing the revenue generated from the Property, the Vendor has undertaken, at its cost, including any cost overruns and land premium payable, to convert part of the ground floor and 5th to 12th floors (there are no 13th and 14th floors) and 15th floor of the Property (representing approximately 43% of the total Gross Floor Area of the Property) to include the Hotel and a coffee shop/restaurant on the ground floor. The remaining parts of the Property (the 16th to 26th floors (there is no 24th floor) will continue to be used for office purposes and the 27th to 29th floors will be used for retail and restaurant purposes), representing approximately 57% of the total Gross Floor Area of the Property, will not be undergoing the AEP. The AEP has commenced in May 2009 and the Vendor has undertaken to the Purchaser that the AEP will be completed by the Long Stop Date. The estimated cost of the AEP will be approximately HK\$30 million. Please refer to paragraph A.1.(viii) of this announcement for more details.

Set out below is a table showing the approximate Gross Floor Area of the Property before and after the completion of the AEP.

Gross Floor Area of the Property before the AEP

	<i>Square Feet</i>
Ground floor shops*	1,479
Ground floor entrance and common areas*	1,048
Offices - 22 floors	<u>56,343</u>
Total	58,870

Gross Floor Area of the Property after the AEP

	<i>Square Feet</i>
Ground floor shops*	1,222
Ground floor entrance, common areas and hotel lobby*	1,305
Hotel guest room floors (5th to 15th floors)	22,375
Office and retail floors (16th to 29th floors)	<u>33,294</u>
Subtotal**	58,196

Exempted Gross Floor Area for hotel back of the house areas	651
Exempted Gross Floor Area for hotel pipe-duct areas	<u>23</u>
Total	58,870

* Ground floor is held under multi-ownership and therefore areas are in terms of saleable areas;

** Gross Floor Area of the Property as shown on the approved building plan.

Set out below is a table showing certain information in relation to the Hotel upon completion of the AEP:

The Regal iClub Hotel

Types of rooms	Number of rooms	Size of room (saleable area)
Standard room:	16	174 square feet
Superior room:	32	297 to 357 square feet
Deluxe room:	<u>2</u>	545 square feet
Total:	50	

Meeting spaces: A multi-purpose function room of approximately 380 square feet on the 5th floor.

Dining areas: A coffee shop/restaurant of approximately 645 square feet seating area with a capacity for 40 seats on the ground floor.

The above table is based on currently available information in relation to the AEP, and the information contained in the above table may be subject to changes in the course of the AEP.

Set out below is a table showing the Gross Floor Area of the hotel properties and number of hotel rooms owned by the Regal REIT before and after the Acquisition (assuming the completion of the AEP):

Regal REIT

	Before the Acquisition	After the Acquisition (assuming the completion of the AEP)
Number of hotel rooms:	3,830	3,880
Total Gross Floor Area of hotel properties:	2,283,124 square feet	2,306,978 square feet (including the Hotel Portion* only)
		2,341,994 square feet (for the whole Property**)

* Hotel Portion includes ground floor shops to be converted to hotel lobby (257 square feet), coffee shop/restaurant (1,222 square feet including kitchen) and hotel guest room floors (22,375 square feet).

** Include the common area of ground floor (1,048 square feet), exempted Gross Floor Area for hotel back of house area (651 square feet) and hotel pipe duct areas (23 square feet).

3. Property Valuation

As at 30 June 2009, the Property was valued by the Independent Property Valuer, the principal valuer of Regal REIT, at HK\$404 million, based on the existing use of the Property, and at HK\$479 million, assuming the completion of the AEP.

The Independent Property Valuer has confirmed that (a) the Appraised Value of HK\$479 million has been determined assuming a sale subject to existing tenancies as well as the Asset Enhancement Programme being completed at the cost of the Vendor, and (b) it has disregarded the effect of the PHL Lease in assessing the Appraised Value of the Property on which the Share Consideration is based. Accordingly, neither the Appraised Value, nor the Share Consideration, have been increased in order to reflect the monthly rental amount of HK\$2 million payable under the PHL Lease.

4. Financial Information of the Target Group

The table below sets out the audited profit/(loss) before and after taxation of the Target Group for the years ended 31 December 2008 and 31 December 2007:

	For the year ended	
	31 December	
	2008	2007
	HK\$ million	HK\$ million
(Loss)/Profit before taxation	(20.9)	12.9
(Loss)/Profit after taxation	(16.8)	10.7

As at 30 June 2009, the audited net asset value of the Target Group amounted to approximately HK\$5.3 million and the inter-company loans due from the Target Group to the PHL Group amounted to approximately HK\$390.9 million.

C. FINANCING ARRANGEMENTS FOR THE ACQUISITION

1. Cash Consideration

As mentioned in the paragraphs A.1.(iii) and A.3 above, the Share Consideration and the Loan Assignment Consideration, together with the expenses incurred in the Acquisition, will be funded using Regal REIT's own cash resources that are legally available for such purposes in accordance with the Trust Deed, the REIT Code, the guidelines issued by the SFC from time to time and the laws of Hong Kong. The estimated expenses to be incurred by Regal REIT in connection with the Acquisition, including the acquisition fee payable to the REIT Manager, are approximately HK\$5.2 million.

The total amount payable by Regal REIT as at the date of Completion will be HK\$195,115,789.00 (excluding the expenses incurred in the Acquisition), including:

- (i) the Core Share Consideration (including the amount of the Deposit), being HK\$59,350,917.32; and
- (ii) the Core Loan Assignment Consideration, being HK\$135,764,871.68.

Such amounts paid as at the date of Completion are subject to adjustments following Completion as described under paragraphs A.1.(iii).(e) and A.3 above (subject to an overall cap of HK\$210 million as described under paragraph A.1.(iv) above).

2. Refinancing of Existing Bank Loan and Guarantees under the Facilities

The Property is currently encumbered by the Existing Bank Loan. Completion of the Sale and Purchase Agreement is conditional upon the Existing Mortgagee extending the Facilities to the Property Company for the purpose of repaying the indebtedness to the Assignor in order to refinance the Existing Bank Loan. The Vendor has agreed to procure that the balance of the Existing Bank Loan will be fully repaid upon Completion.

Upon Completion, it is anticipated that the Property Company will enter into a loan agreement with the Existing Mortgagee in respect of the Facilities including: (i) a term loan facility for up to HK\$141 million; and (ii) a revolving credit facility for up to HK\$70 million.

The Facilities are intended to be available for drawdown at Completion. It is anticipated that the loan agreement in respect of the Facilities will contain customary terms in respect of events of default (the occurrence of which would allow the Existing Mortgagee to demand immediate repayment of the outstanding advances together with accrued interest and fees) as well as customary covenants, representations and warranties and other terms.

The Facilities are expected to be secured by, among others, unconditional and irrevocable corporate guarantees to be given by Regal REIT and PHL. Regal REIT will provide a several guarantee up to 75% of the Facilities, in accordance with its proportionate interest in the Target Group upon Completion, and PHL will provide a several guarantee for the remaining 25% of the Facilities. The maximum contingent liability of Regal REIT under the guarantee to be provided in relation to the Facilities is accordingly not expected to exceed HK\$158.25 million.

3. Impacts on Regal REIT's Gearing Ratio Due to the Acquisition

The gearing ratio of the Regal REIT will change from 31.9% as at 30 June 2009 to approximately 32.9% after the Completion, assuming (i) a full drawn down of the Facilities and (ii) inclusion of the estimated total adjusted asset value of the Target Group as if the Acquisition had taken place on 30 June 2009.

D. FEES AND CHARGES IN RELATION TO THE NEW PROPERTY

1. Fees Payable to the REIT Manager and the Trustee in Relation to the Acquisition

Pursuant to paragraph 14.2 of the Trust Deed, the REIT Manager will be entitled to an acquisition fee not exceeding 1% of the purchase price of the real estate acquired by Regal REIT (pro-rated if applicable to the proportion of Regal REIT's interest in the real estate acquired). The acquisition fee payable to the REIT Manager in relation to the Acquisition is approximately HK\$3.5 million, which is equal to approximately 1% of the 75% of the agreed price of HK\$468 million used for the purposes of determining the Share Consideration. The Trustee has confirmed that the use of the agreed price of HK\$468 million for the purpose of calculating the acquisition fee is consistent with paragraph 14.2 of the Trust Deed. For details of the acquisition fee payable to the REIT Manager, please refer to the section headed "Structure and Management — REIT Manager — Fees, Costs and Expenses of the REIT Manager" in the Offering Circular.

Pursuant to paragraph 14.3.2 of the Trust Deed, the Trustee is entitled to an additional fee in relation to duties undertaken which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties such as an acquisition or divestment by the REIT Manager, subject to certain limits provided in the Trust Deed. The additional fee payable to the Trustee in relation to the Acquisition is HK\$50,000. For details of the additional fee payable to the Trustee, please refer to the section headed "Material Agreements — Trust Deed — Trustee's Fee" in the Offering Circular.

2. Ongoing Fees and Charges in Relation to the Property following Completion

Upon Completion, the REIT Manager will have the general power of management over the Property and will be entitled under the Trust Deed to receive from Regal REIT management fees attributable to the Property. The REIT Manager will be entitled to management fees for as long as the Property forms part of Regal REIT's investment portfolio in accordance with provisions of the Trust Deed. The Property will also form part of the basis for the calculation of the Trustee's ongoing fee payable pursuant to Clause 14.3.1 of the Trust Deed.

For further details of the nature of the other ongoing fees payable to the REIT Manager and the Trustee, please refer to the section headed "Structure and Management — REIT Manager — Fees, Costs and Expenses of the REIT Manager" and the section headed "Material Agreements — Trust Deed — Trustee's Fee" in the Offering Circular.

E. REASONS FOR ENTERING INTO THE TRANSACTION

One of the REIT Manager's key objectives for Regal REIT is to produce attractive total returns to Unitholders. In addition to income optimization and asset enhancement of the existing portfolio, the REIT Manager aims to achieve this objective by actively pursuing yield enhancing opportunities through the addition of new income-producing properties to the existing portfolio. The Acquisition is expected to be a valuable addition to Regal REIT's current property portfolio and is expected to bring about a number of specific benefits as follows:

1. The Acquisition is in line with the growth strategy of Regal REIT

The Acquisition is the first acquisition of a new property by Regal REIT and is in line with a growth strategy to add yield enhancing properties to the portfolio of Regal REIT and in this case part of the Property to be acquired will be converted for operation under the Regal iClub brand. Regal iClub is a boutique-like hotel concept suitable for smaller properties located in busy commercial or entertainment districts in large urban centres. Such concept features trendy modern design and comfortable rooms but otherwise limited service offerings. A Regal iClub hotel can be profitably operated in sizes from 50 hotel rooms and up, and may be situated on a few floors in an office building or a purpose built stand-alone building.

It is the REIT Manager's view that the acquisition of the Property and converting part of the Property into a Regal iClub hotel is consistent with the investment policy and strategy of the Regal REIT and is an essential first step towards developing an external growth strategy for Regal REIT, which may present exciting and yield enhancing opportunities in Hong Kong.

The value of Regal REIT's total investment property portfolio will increase by approximately 3.5% to approximately HK\$13,974 million assuming the completion of the AEP mentioned in paragraph A.1.(viii) above.

2. The Share Consideration for the Acquisition is based on an agreed price of the Property which represents a discount of the Appraised Value

The Share Consideration for the Acquisition is based on an agreed price for the Property of HK\$468 million, which represents approximately a 2% discount to the Appraised Value as at 30 June 2009, being HK\$479 million, assuming completion of the AEP mentioned in paragraph A.1.(viii) above.

3. The Unitholders will benefit from the PHL Lease through the period of disruptions caused by the work on the AEP project development

The PHL Lease will provide for a fixed monthly rental of HK\$2 million during the period while part of the Property is undergoing the AEP, when income from the Lettable Areas is likely to be lower and during the initial ramp up period of the hotel business of the Hotel.

F. OPINION OF THE BOARD

The Board (including all independent non-executive Directors of the REIT Manager) confirms that (i) the Sale and Purchase Agreement and the other Transaction Documents have been or will on Completion be entered into on terms which are normal commercial terms at arm's length and are fair and reasonable and in the interests of the Unitholders as a whole, and (ii) no Unitholder approval is required to approve the transactions contemplated under the Transaction Documents.

G. TRUSTEE'S OPINION

In accordance with paragraph 7.3 of the REIT Code and the relevant provisions under the Trust Deed, the Trustee, in its capacity as the trustee of Regal REIT, has given its consent for the provision by Regal REIT of the Regal Guarantees.

After taking into consideration the reasons for, terms of and other information provided to the Trustee by the REIT Manager in relation to the Acquisition, the Trustee confirms that the Acquisition complies with the relevant provisions under the Trust Deed and is consistent with Regal REIT's established investment policy and has given its consent for the REIT Manager to proceed with the Acquisition. The Trustee further confirms that no Unitholder approval is required to approve the transactions contemplated under the Transaction Documents.

H. IMPLICATIONS UNDER THE REIT CODE AND THE LISTING RULES

Under paragraph 8.1 of the REIT Code, connected persons of Regal REIT include, amongst others, a significant holder (that is, a holder of 10% or more of the outstanding Units) and its controlling entities, holding companies, subsidiaries or associated companies. As at the date of this announcement, the Vendor is a wholly-owned subsidiary of PHL and PHL is a controlling shareholder (holding approximately 47.20% of the total issued shares) of Regal Hotels International Holdings Limited, a significant Unitholder of Regal REIT

holding approximately 74.04% of the outstanding Units. Century City International Holdings Limited, the listed holding company of PHL, is also holding approximately 0.17% of the outstanding Units. Therefore, PHL Group is regarded as a connected person of Regal REIT under the REIT Code.

The Acquisition pursuant to the Sale and Purchase Agreement, together with transactions contemplated under the Inter-company Loan Assignment, PHL Lease, PHL Lease Guarantee, AEP Agency Deed, Deed of Tax Indemnity and Shareholders Agreement, constitute connected party transactions for Regal REIT. Pursuant to paragraph 8.9 of the REIT Code, as the aggregate amount of the Share Consideration and the Loan Assignment Consideration (even assuming that such aggregate amount equals the cap on consideration referred to in paragraph A.1.(iv) above), together with the value of the guarantee to be given by Regal REIT under the Facilities and the annualized payments under PHL Lease will be less than 5% of the latest net asset value of the Regal REIT (as disclosed in the latest published audited accounts of Regal REIT and adjusted for the 2008 final distributions made in 2009), the connected party transactions contemplated under the relevant Transaction Documents are only subject to the reporting and announcement requirements but exempt from the Unitholders approval requirements under Chapters 8 and 10 of the REIT Code. Regal REIT will comply with all reporting and disclosure requirements applicable to the Acquisition under the REIT Code, and will also disclose particulars of the connected party transactions and include a summary disclosure of the total value of the connected party transactions, their nature and the identities of the connected parties in Regal REIT's next published semi-annual and annual reports, as required by paragraphs 8.14, 8.15 and 8.16 of the REIT Code.

In addition, Regal REIT will notify the Unitholders by way of an announcement (subject to other reporting and Unitholder approval requirements under the REIT Code, if applicable) if and when (i) the Completion has taken place, (ii) the Purchaser exercises the put right as set out under paragraph A.1.(ix) of this announcement, (iii) the Purchaser exercises the call option as set out under paragraph A.1.(x) of this announcement, (iv) there is a delay in the completion of the Asset Enhancement Programme and/or any compensation or indemnity has been paid by the Vendor and Guarantor in connection with such delay, and (v) there is any material variation or renewal of the PHL Lease and the PHL Lease Guarantee.

In view of the fact that certain directors of the REIT Manager are also members of the board of PHL and/or the Vendor, the REIT Manager will take steps to ensure compliance at all times with the provisions of the REIT Code, the Trust Deed and the compliance manual of Regal REIT relating to corporate governance

and avoidance of conflict of interest in connection with the deliberations and decisions of the board in relation to the Acquisition and the on-going implementation of the terms thereof (including the decision as to whether to exercise the put right (as referred to in paragraph A.1.(ix) above) or the call option (as referred to in paragraph A.1.(x) above)).

For the purposes of acquiring the Property, for facilitating the future group reorganisation and disposal of the interests in the Property, submission has been made to the SFC for the use of three layers of special purpose vehicles by Regal REIT and this has been allowed by the SFC, subject to the condition that there will be no change to the maximum number of three layers of special purpose vehicles used by Regal REIT, without further approval from the SFC.

Upon any material variation of, or waiver or release by or on behalf of Regal REIT any of its rights and any obligations of the connected persons under the terms and conditions of the relevant Transaction Documents, Regal REIT will comply in full with all applicable reporting, disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code.

The REIT Manager has engaged and agreed with the auditors of Regal REIT to perform certain review procedures on all connected party transactions of the Regal REIT in respect of each relevant financial period. All of these auditor's review procedures will apply to the connected party transactions entered into in connection with the Acquisition. For details of the auditors' review procedures, please refer to the section headed "Structure and Management — Connected Party Transactions — Waivers for Certain Transactions and Persons — Waiver Conditions — (vi) Auditors' review procedures" in the Offering Circular.

The independent non-executive directors of the REIT Manager are required to review the connected party transactions of the Regal REIT annually and give their confirmation in Regal REIT's annual report for the relevant financial period. This review will apply to the connected party transactions entered into in connection with the Acquisition. For details of the review by the independent non-executive directors, please refer to the section headed "Structure and Management — Connected Party Transactions — Waivers for Certain Transactions and Persons — Waiver Conditions — (vii) Review by the INEDs" in the Offering Circular.

I. INFORMATION ON REGAL REIT AND THE VENDOR

Regal REIT

Regal REIT is a collective investment scheme authorised by the SFC and listed on the Main Board of The Stock Exchange of Hong Kong Limited. Regal REIT

is a real estate investment trust with DB Trustees (Hong Kong) Limited as its trustee. It invests primarily in real estate that wholly or primarily comprises hotel or other hospitality-related properties and uses the income arising from such properties to provide stable returns to its Unitholders. As at 30 June 2009, the value of Regal REIT's total investment property portfolio was approximately HK\$13,495 million. As at the date of this announcement, Regal REIT owns a total of 5 hotels which are located across different districts in Hong Kong.

The Vendor and PHL

PHL is a company incorporated in Bermuda with limited liability, whose shares are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 617). The principal activity of PHL is that of a holding company. The principal activities of the PHL Group are property development and investment, construction and building related businesses and other investments. The Vendor is a wholly-owned subsidiary of PHL.

DEFINITIONS

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

- “Acquisition”** means the acquisition of the Sale Shares by the Purchaser;
- “Adjusted Net Asset Value”** means the net asset value of the Target Group, subject to certain agreed adjustments, including an adjustment to substitute the book value of the Property with an amount equal to HK\$468 million, representing approximately a 2% discount to the Appraised Value of the Property;
- “AEP Agent”** means Perfect Grand Investment Limited, a wholly-owned subsidiary of PHL, to be appointed by the Property Company to enter into AEP Contracts on its behalf under the AEP;
- “AEP Agency Deed”** means the AEP agency deed to be entered into at the Completion between the Property Company, the AEP Agent and the Guarantor relating to the appointment of the AEP Agent as the agent of the Property Company to supervise and enforce the performance of the AEP Contracts;

“AEP Contracts”	means all construction contracts and/or other contracts in relation to the carrying out of the Asset Enhancement Programme to be entered into by the Property Company, or to be entered into by the AEP Agent (as agent for and on behalf of the Property Company), with the relevant contractors and/or project consultants and/or other professional advisers whose services are from time to time engaged in connection with the execution of the Asset Enhancement Programme;
“Appraised Value”	means the value of the Property (assuming the completion of the AEP), as at 30 June 2009, as appraised by the Independent Property Valuer, being HK\$479 million;
“Asset Enhancement Programme or AEP”	means the asset enhancement programme in relation to the Property as more fully described under the paragraphs A.1.(viii) and B.2 of this announcement;
“Assignee”	means the Purchaser or, if nominated by the Purchaser, the REIT SPV;
“Assignor”	means Paliburg Development Finance Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of PHL;
“Associated Company”	means, (i) in relation to a person (other than the Purchaser), any company or other entity which is a holding company or a subsidiary or a subsidiary of any such holding company of that person; (ii) in relation to the Purchaser, any company or other entity that is controlled by the Purchaser (in its capacity as trustee of Regal REIT);
“Board”	means the board of directors of the REIT Manager;
“Building”	means a building situated at No. 211 Johnston Road, Wanchai, Hong Kong, erected on the Remaining Portion of Section F of Inland Lot No. 2769, Subsection 1 of Section F of Inland Lot No. 2769, the Remaining Portion of Section G of Inland Lot No. 2769 and Subsection 1 of Section G of Inland Lot No. 2769;

“Completion”	means completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement;
“Core Share Consideration”	means HK\$59,350,917.32, being part of the Share Consideration payable (including the amount of the Deposit) by the Purchaser to the Vendor on the date of Completion, which is equal to 75% of the Adjusted Net Asset Value of the Target Group as at 30 June 2009;
“Core Loan Assignment Consideration”	means HK\$135,764,871.68, being part of the Loan Assignment Consideration payable by or on behalf of the Assignee to the Assignor at the date of Completion for the Inter-company Loan;
“Deed of Tax Indemnity”	means the deed of tax indemnity to be entered into between the Vendor, the Guarantor, the Purchaser and the Target Co on the date of Completion;
“Deposit”	means a deposit of HK\$30 million already paid by the Purchaser to the Vendor on account of the Share Consideration concurrently with entry into the Sale and Purchase Agreement, which is refundable if the Purchaser terminates the Sale and Purchase Agreement prior to Completion on the grounds that, among others, the conditions have not been met or the Vendor has failed to comply with its obligations;
“Directors”	means the directors of the REIT Manager;
“Existing Bank Loan”	means the loan facilities for up to HK\$235 million, granted by the Existing Mortgagee to Paliburg Finance Limited, a wholly-owned subsidiary of PHL, as the borrower, the balance of which as at the date of this announcement is approximately HK\$ 210 million;
“Existing Mortgage”	means the mortgage over the Property Company’s interest in the Property in favour of the Existing Mortgagee, granted as security for the Existing Bank Loan;
“Existing Mortgagee”	means The Bank of East Asia Limited and its successors and assigns;

- “Facilities”** means the maximum principal amount of HK\$211 million of secured credit facilities granted or to be granted to the Property Company by the Existing Mortgagee;
- “FF&E”** means all investments in the replacement of furniture, fixtures and equipment which are required to maintain the Hotel Portion at the agreed operating standards and at the operating capacity of the business of the Hotel, and for the purpose of this definition:-
- (a) “furniture” includes all loose furniture, furnishings, decorations and appliances in restaurants, bars, hotel rooms, offices, kitchens and workshops, throughout the Hotel Portion,
 - (b) “fixtures” includes all fixed furniture such as stationary bar counters and reception desks, fixed carpets, marble and hardwood floors, wall coverings and walk-in freezers and fridges, and
 - (c) “equipment” includes kitchen equipment, ranges, workshop machinery, cleaning equipment, telecommunications equipment, computer equipment and vehicles;
- but the term “FF&E” shall exclude items which are included as part of the fixtures of the building in which the Hotel Portion is located;
- “Gross Floor Area”** means, in respect of a property, the area contained within the external walls of the building measured at each floor level (including any floor below the level of the ground) and the thickness of external walls of the building excluding any floor space that is constructed solely for refuse related facilities and other mechanical and electrical services;
- “Hotel”** means the hotel to be operated, after the issuance of the hotel licence, on the Hotel Portion subject to the PHL Lease, to be operated under the name of Regal iClub Hotel;

“Hotel Management Agreement”	means the hotel management agreement to be entered into after the Completion between the PHL Lessee and the hotel manager to be appointed by the PHL Lessee and approved by the Property Company to manage the Hotel of the Property;
“Hotel Portion”	means such part of the Leased Property where the Hotel is operated by the PHL Lessee from time to time (including without limitation businesses that are complimentary or ancillary to the Hotel) and other part(s) of the Leased Property approved by the Property Company;
“Independent Property Valuer”	means CB Richard Ellis Limited;
“Inter-company Loan”	means 75% of the aggregate amount of the Property Company’s indebtedness to the Assignor as at the date of Completion, comprising all amounts whether principal, interest or otherwise owing and outstanding;
“Inter-company Loan Assignment”	means the deed of inter-company loan assignment to be entered into among the Assignor, PHL, the Assignee and the Property Company on the date of Completion;
“Leased Property”	means the Property with exception of certain units which are not subject to the PHL Lease;
“Lettable Areas”	means those parts of the Leased Property (excluding the Hotel Portion) subject to the PHL Lease which can be lawfully let or licensed for other purposes such as offices and retail space;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Loan Assignment Consideration”	means the consideration for the assignment of the Inter-company Loan;
“Long Stop Date”	means 31 December 2010;
“Offering Circular”	means the offering circular dated 19 March 2007 issued by the REIT Manager in connection with the initial public offering of the units in Regal REIT;

“PHL” or “Guarantor”	means Paliburg Holdings Limited, a company incorporated in Bermuda, whose shares are listed and traded on The Stock Exchange of Hong Kong Limited;
“PHL Group”	means PHL and its subsidiaries;
“PHL Lease”	means the lease for the Property (with exception of a few units which are not subject to the PHL Lease) to be entered into upon Completion between the Property Company and the PHL Lessee. The Leased Property subject to the PHL Lease consists of the Hotel Portion and Lettable Areas;
“PHL Lease Guarantee”	means the guarantee to be executed at Completion by the Guarantor in favour of the Property Company and the Trustee (in its capacity as trustee of Regal REIT) of the obligations of the PHL Lessee under the PHL Lease;
“PHL Lessee”	means Real Charm Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of PHL;
“Property”	means certain portions of the Building as more fully described under the paragraph B.1 of this announcement;
“Property Company”	means Sonnix Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Co;
“Purchaser”	means the Trustee, as trustee of Regal REIT and, on behalf of Regal REIT;
“Purchaser Loan”	means the aggregate amount of the indebtedness of the Target Group to the Purchaser or its Associated Companies, comprising all amounts whether principal, interest or otherwise owing and outstanding from time to time;
“Regal Guarantees”	means the guarantees to be provided by Regal REIT under the Shareholders Agreement and the Facilities;

“Regal REIT”	means Regal Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) subject to applicable conditions from time to time;
“REIT Code”	means The Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being;
“REIT Manager”	means Regal Portfolio Management Limited, the manager of Regal REIT;
“REIT SPV”	means Wise Tower Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of Regal REIT;
“Sale and Purchase Agreement”	means the sale and purchase agreement dated 10 September 2009 entered into among the Purchaser, the Vendor, the Guarantor and the REIT Manager in relation to the Acquisition;
“Sale Shares”	means the 75 ordinary shares of US\$1.00 each in the capital of the Target Co, being seventy-five per cent (75%) of the issued share capital of the Target Co as at the date of the Sale and Purchase Agreement and as at Completion;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“Share Consideration”	means the consideration payable by the Purchaser under the Sale and Purchase Agreement, which shall be 75% of the Adjusted Net Asset Value of the Target Group as at the date of Completion;
“Shareholders Agreement”	means the shareholders agreement to be entered into among REIT SPV, the Vendor, the Trustee (in its capacity as trustee of Regal REIT), PHL and the Target Co;

“Supplemental DMC”	means the supplemental deed of mutual covenant and management agreement to be executed by the Property Company in relation to the existing deed of mutual covenant and management agreement relating to the Property, to permit the intended use of the Property contemplated by the Asset Enhancement Programme;
“Target Co”	means Twentyfold Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor;
“Target Group”	means collectively the Target Co and the Property Company, and “Target Group Company” shall be construed accordingly;
“Transaction Documents”	means collectively, the Sale and Purchase Agreement, the Inter-company Loan Assignment, the Deed of Tax Indemnity, the AEP Agency Deed, the Shareholders Agreement, the PHL Lease, and the PHL Lease Guarantee;
“Trust Deed”	means the trust deed constituting Regal REIT dated 11 December 2006, as supplemented by a first supplemental deed dated 2 March 2007, a second supplemental deed dated 15 May 2008 and a third supplemental deed dated 8 May 2009, entered into between the Trustee and the REIT Manager, as the same may be supplemented or amended from time to time;
“Trustee”	means DB Trustees (Hong Kong) Limited, the trustee of Regal REIT;
“Unit”	means a unit of Regal REIT;
“Unitholder”	means any person registered as holding a Unit;
“Vendor”	means Paliburg Development BVI Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of PHL;
“Vendor Loan”	means the aggregate amount of the indebtedness of the Target Group to the Vendor, the Assignor or their Associated Companies, comprising all amounts whether principal, interest or otherwise owing and outstanding from time to time; and

“Vendor Shares”

means the remaining 25 ordinary shares in the capital of the Target Co held by the Vendor after Completion, being 25% of the issued share capital of the Target Co as at the date hereof and as at Completion.

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