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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**



### **REALLOCATION OF BASE RENT AMENDMENTS TO THE LEASE AGREEMENTS**

The REIT Manager has entered into the Amendment Agreements to adjust the Base Rent payable by the Lessee pursuant to each of the Lease Agreements in order to better reflect the earning capacity of each of the relevant Initial Hotel Properties. The adjustments to the Base Rent for 2009 and 2010 will take effect as of 1 January 2009 and 1 January 2010 respectively. The aggregate annual Base Rent in relation to all Initial Hotel Properties for the years 2009 and 2010, however, will not change following the Reallocation.

The Reallocation will not have any impact on the calculation of Variable Rent or the amount of aggregate annual Variable Rent payable under the Lease Agreements, as the Variable Rent is calculated and payable as a proportion of the excess of the aggregate annual Net Property Income over the aggregate annual Base Rent (which remains unchanged following the Reallocation) for the years 2009 and 2010, for all the Initial Hotel Properties. Similarly, any guaranteed variable rent that may be payable under the Lease Agreements will not be affected by the Reallocation as the guaranteed variable rent amount (HK\$220 million) is calculated under the Lease Agreements as an aggregate amount for all five Initial Hotel Properties.

For the above reasons, the Reallocation and the Amendment Agreements have had and will have little or no impact on the DPU, NAV per Unit, the cash flow of Regal REIT or the leverage ratio of Regal REIT. There are a number of benefits that the REIT Manager believes will be achieved by the Reallocation.

As at the date of this announcement, Regal is a significant Unitholder of Regal REIT holding approximately 74.14% of the outstanding Units. The Lessee is a wholly-owned subsidiary of Regal and therefore, Regal and the Lessee are regarded as connected persons of Regal REIT under the REIT Code. The Lease Agreements therefore constitute connected party transactions for Regal REIT. Reference is made to the CPT Waiver. As the annual aggregate amount of the Base Rent payable by the Lessee and the basis for the calculation of the Variable Rents under the Lease Agreements remain unchanged on an aggregate annual basis following the Reallocation and the entering into of the Amendment Agreements, the REIT Manager considers that the Reallocation and the Amendment Agreements do not constitute material changes to the Lease Agreements and do not, therefore, require the Unitholders' approval under the CPT Waiver. Regal REIT will comply with all reporting and disclosure requirements applicable to the Reallocation and the entering into of the Amendment Agreements in accordance with paragraph 8.14 and chapter 10 of the REIT Code, and will also disclose particulars of the transactions in Regal REIT's next published annual report, in accordance with paragraphs 8.15 and 8.16 of the REIT Code.

The Board (including all independent non-executive Directors of the REIT Manager) confirms that the Reallocation and the Amendment Agreements have been entered into in the ordinary and usual course of business of Regal REIT, 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. After taking into consideration the reasons for, terms of and other information provided to the Trustee by the REIT Manager in relation to the Reallocation and the Amendment Agreements, the Trustee has agreed and confirmed that the Reallocation and the Amendment Agreements comply with the relevant provisions under the Trust Deed, that no approval of Unitholders is required for the transactions contemplated thereunder, and has given its consent for the REIT Manager to proceed with the Reallocation and entering into the Amendment Agreements.

## **A. REALLOCATION OF BASE RENT**

### **1. Background Information**

Reference is made to the section headed “Material Agreements — Lease Agreements” in the Offering Circular. Pursuant to the Lease Agreements, the Lessee is required to pay an aggregate annual Base Rent of HK\$750 million and HK\$780 million in relation to the Initial Hotel Properties for the years 2009 and 2010, respectively, to Regal REIT. In addition, the Lessee shall also pay Variable Rent, being a sum which represents 60% and 50% of the excess of the aggregate Net Property Income of the Initial Hotel Properties over the aggregate annual Base Rent for the years 2009 and 2010, respectively.

The original Base Rents for the Initial Hotel Properties were negotiated and agreed with the Lessee based on the outlook for each Initial Hotel Property’s performance in early 2007 and for the following four years. Since then, market conditions have changed. The tourism sector and the hotel market in Hong Kong have been heavily affected by the world-wide financial crisis and the economic recession since October 2008. The consequence for the hotel market has been a shift to large volume demand from Mainland China and focus on other nearby markets, at lower average room rates. Among the Initial Hotel Properties, there has also been a shift in performance, from the hotels that cater to overseas and long-haul customers to the hotels that focus on tourists from Mainland China and other nearby markets. As the Initial Hotel Properties do not all have the same client base, they have not all been affected in the same way. As a result, the existing Base Rent amounts, which were determined and set for four years from 2007 to 2010, are no longer reflective of the actual performance of the individual Initial Hotel Properties. This has also resulted in the performance ratios such as the Implied Yield being distorted and not reflective of the real earning capacity of each Initial Hotel Property.

### **2. The Amendment Agreements**

The REIT Manager believes that the impact of the world-wide financial crisis and the economic recession since October 2008 described above is likely to continue for some time. Accordingly, the REIT Manager has, through the five hotel owning companies, entered into the Amendment Agreements to adjust the Base Rent payable by the Lessee pursuant to each of the Lease Agreements. In order to better reflect the earning capacity of each of the Initial Hotel Properties based on an updated assessment of market conditions, the parties have agreed to have the adjustments to the

Base Rent for 2009 and 2010 take effect as of 1 January 2009 and 1 January 2010, respectively. Subject to the review of the relevant documents in relation to the Reallocation, the external auditor of Regal REIT has no comment on the adjustments to the Base Rent in the relevant financial years. The REIT Manager believes that this would give a fairer and more reasonable view of the financial information of Regal REIT for the 2009 financial year, and thus present a more representative picture of the actual performance of each of the Initial Hotel Properties. Further, this will allow the effects of the Reallocation to be reflected in the 2009 annual report of Regal REIT (which will be published in or around March 2010).

### **3. Basis for the Reallocation**

The Reallocation is based on the relative proportion of the individual values of the Initial Hotel Properties to the total value of such properties as at 31 December 2008, as determined pursuant to the 2008 Valuations. The 2008 Valuations, being the latest available valuations of the Initial Hotel Properties, were prepared by the Independent Property Valuer on a discounted cash flow basis, taking into account the relevant current and projected future market conditions as well as the economic factors of the hotel market in Hong Kong. This includes factors such as overall economic growth in the economy, supply and demand and the competitive strengths and weaknesses of each of the Initial Hotel Properties, as well as assumptions in relation to income, expenses and property income over future years. In determining which basis to use for the calculation of the Reallocation, the REIT Manager had considered other options and methods. However, taking into account the above factors and assumptions, the REIT Manager considers the 2008 Valuations to be the most appropriate bench-mark available for the Reallocation as the 2008 Valuation reflect the earning capacity of each of the Initial Hotel Properties, both currently and as anticipated for the relevant years ahead.

The individual and aggregate annual Base Rents for each of the Initial Hotel Properties, both before and after the Reallocation, are set out below:

**Base Rents for 2009**

<b>HOTELS</b>	<b>2008 VALUATION (HK\$' M)</b>	<b>2009 BASE RENTS ALLOCATION BEFORE REALLOCATION (HK\$' M)</b>	<b>2009 BASE RENTS AFTER REALLOCATION (HK\$' M)</b>
RAH	4,150.0	320.0	230.7
RHK	2,890.0	120.0	160.7
RKH	2,990.0	125.0	166.2
ROH	1,180.0	55.0	65.6
RRH	<u>2,280.0</u>	<u>130.0</u>	<u>126.8</u>
<b>TOTAL</b>	<b><u>13,490.0</u></b>	<b><u>750.0</u></b>	<b><u>750.0</u></b>

**Base Rents for 2010**

<b>HOTELS</b>	<b>2008 VALUATION (HK\$' M)</b>	<b>2010 BASE RENTS ALLOCATION BEFORE REALLOCATION (HK\$' M)</b>	<b>2010 BASE RENTS AFTER REALLOCATION (HK\$' M)</b>
RAH	4,150.0	325.0	240.0
RHK	2,890.0	125.0	167.1
RKH	2,990.0	130.0	172.9
ROH	1,180.0	60.0	68.2
RRH	<u>2,280.0</u>	<u>140.0</u>	<u>131.8</u>
<b>TOTAL</b>	<b><u>13,490.0</u></b>	<b><u>780.0</u></b>	<b><u>780.0</u></b>

**4. Effects of the Reallocation**

The aggregate annual Base Rent in relation to all Initial Hotel Properties for the years 2009 and 2010 will not change following the Reallocation. As the 2009 interim report of Regal REIT did not contain any valuations, financial

information or Base Rent figures of the individual Initial Hotel Properties, the Reallocation, despite taking effect as from 1 January 2009, will not require any amendments to any of the financial and operating information of Regal REIT that has already been published.

The Reallocation will not have any impact on the calculation of Variable Rent or the amount of aggregate annual Variable Rent payable under the Lease Agreements, as the Variable Rent is calculated and payable as a proportion of the excess of the aggregate annual Net Property Income over the aggregate annual Base Rent (which remains unchanged following the Reallocation) for the years 2009 and 2010, for all the Initial Hotel Properties. Similarly, any guaranteed variable rent that may be payable under the Lease Agreements will not be affected by the Reallocation as the guaranteed variable rent amount (HK\$220 million) is calculated under the Lease Agreements as an aggregate amount for all five Initial Hotel Properties. Further, the unconditional and irrevocable guarantee of HK\$1 billion issued by Deutsche Bank AG, Hong Kong Branch, in favour of the Lessors and the Trustee to cover the payment obligations of the Lessee under the Lease Agreements (as referred to the section headed “Material Agreements — Lease Guarantees” in the Offering Circular) will not be affected by the Reallocation.

As the aggregate annual amount of the Base Rent payable by the Lessee and the basis for the calculation of the Variable Rents under the Lease Agreements remain unchanged on an aggregate annual basis, subject to the following paragraph, the Reallocation and the Amendment Agreements have had and will have little or no impact on the DPU, NAV per Unit, the cash flow of Regal REIT and the leverage ratio of Regal REIT for the years 2009 and 2010.

The Reallocation may incidentally result in certain tax effects for Regal REIT, by allowing Regal REIT to bring forward the utilisation of certain tax losses for certain companies at the level of the hotel owning companies, in the short term. Therefore, on an aggregate basis for all the Initial Hotel Properties, there may be a deferral in the timing of estimated profits tax payment with the earlier utilisation of tax losses. As a result, Regal REIT’s DPU may increase by an insignificant amount in the short term. This would not represent an absolute increase in distributions, but rather an earlier distribution of amounts which would otherwise have been distributed at a later date. Whether or not such tax effects actually occur will depend on the Hong Kong Inland Revenue Department’s final tax assessments of the relevant hotel owning companies within Regal REIT for the years 2009 and

2010. Other than a possible timing effect on Regal REIT's cash flows due to the incidental tax effects, the REIT Manager does not expect that there will be any other financial or operational impact on Regal REIT. The REIT Manager will disclose the impact on Regal REIT's DPU, if any, in the annual report and results announcement of Regal REIT for the relevant financial year.

The Base Rent for each of the Initial Hotel Properties will be subject to annual rent reviews from the year 2011 and onward. The future rents are to be determined by an independent valuer setting the rents based on the prevailing market conditions and based on the earning capacity of each of the Initial Hotel Properties.

## **B. AMENDMENTS TO THE LEASE AGREEMENTS**

In order to effect the Reallocation, amendments have been made to each of the Lease Agreements for the Initial Hotel Properties. Pursuant to the Amendment Agreements, the Lease Agreements have been amended such that the amount of the Base Rent for 2009 and 2010 for each Initial Hotel Property have been adjusted to the respective figure as set out in the tables under paragraph A of this announcement.

Save for the above amendments, no other amendments have been made to the Lease Agreements.

## **C. ADDITIONAL REASONS FOR THE REALLOCATION**

In addition to the reasons for the Reallocation as set out in paragraph A of this announcement, the REIT Manager believes that the following benefits will be achieved by the Reallocation:

1. by reallocating the Base Rent and using the more relevant benchmark of the 2008 Valuations, the resulting Implied Yield will be fairer, transparency will be improved and a truer picture of the performance of the Initial Hotel Properties will be presented to the Unitholders, prospective investors and the management of Regal REIT;
2. the Reallocation will achieve a more reasonable and fairer allocation of Base Rent across the Initial Hotel Properties; and
3. the REIT Manager considers that the Base Rents following the Reallocation will provide a better basis of reference for future rental projections.

While there is no parallel to Regal REIT's rental structure in Hong Kong, the REIT Manager is of the view that aligning rent payable with earning capacity, which is the main objective of the Reallocation, is in line with market practice in the hotel property sector world-wide.

#### **D. OPINION OF THE BOARD**

The Board (including all independent non-executive Directors of the REIT Manager) confirms that the Reallocation and the Amendment Agreements have been entered into in the ordinary and usual course of business of Regal REIT, 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.

#### **E. TRUSTEE'S OPINION**

After taking into consideration the reasons for, terms of and other information provided to the Trustee by the REIT Manager in relation to the Reallocation and the Amendment Agreements, the Trustee has agreed and confirmed that the Reallocation and the Amendment Agreements comply with the relevant provisions under the Trust Deed, that no approval of Unitholders is required for the transactions contemplated thereunder, and has given its consent for the REIT Manager to proceed with the Reallocation and entering into the Amendment Agreements.

#### **F. IMPLICATIONS UNDER THE REIT CODE**

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, Regal is a significant Unitholder of Regal REIT holding approximately 74.14% of the outstanding Units. The Lessee is a wholly-owned subsidiary of Regal and therefore, Regal and the Lessee are regarded as connected persons of Regal REIT under the REIT Code.

The Lease Agreements constitute connected party transactions for Regal REIT. Reference is made to the CPT Waiver. One of the conditions of the CPT Waiver was that there shall be no material change to, or waiver or release by or on behalf of Regal REIT of any of its rights and any obligations of the connected persons of Regal REIT under the terms and conditions of the Lease Agreements, without the approval of Unitholders, other than those who have a material interest in the relevant transactions, within the meaning of paragraph 8.11 of the REIT Code by way of an ordinary resolution passed at a general meeting of Unitholders. As the



annual aggregate amount of the Base Rent payable by the Lessee and the basis for the calculation of the Variable Rents under the Lease Agreements remain unchanged on an aggregate annual basis following the Reallocation and the entering into of the Amendment Agreements, the REIT Manager considers that the Reallocation and the Amendment Agreements do not constitute material changes to, or waiver or release by or on behalf of Regal REIT of any of its rights and any obligations of the connected persons of Regal REIT under the terms and conditions of the Lease Agreements and do not, therefore, require the Unitholders' approval. Further, even on the basis of the adjustments to Base Rents of the individual Initial Hotel Properties, prior Unitholders' approval would not be required as the aggregate absolute change to Base Rent does not exceed the 5% NAV limit (calculated based on the NAV of Regal REIT as adjusted to take into account its recent acquisition of property, details of which were disclosed in an announcement of Regal REIT on 10 September 2009) under paragraph 8.9 of the REIT Code.

Regal REIT will comply with all reporting and disclosure requirements applicable to the Reallocation and the entering into of the Amendment Agreements in accordance with paragraph 8.14 and chapter 10 of the REIT Code, and will also disclose particulars of the transactions in Regal REIT's next published annual report, in accordance with paragraphs 8.15 and 8.16 of the REIT Code. If, after the valuation report for the 2009 Valuations has been issued by the Independent Property Valuer and published by the REIT Manager in the 2009 annual report of Regal REIT, the REIT Manager considers that there is likely to be a significant difference, on the one hand, between the anticipated performance of the Initial Hotel Properties in 2010 based on the methodology used for the 2009 Valuations, and on the other hand, the anticipated performance as applied for the Reallocation based on the 2008 Valuations, the REIT Manager will give reasonable consideration to arranging for an updated similar reallocation to be performed for 2010 based on the 2009 Valuations. In considering whether to do so, the REIT Manager will have regard to the Unitholders' interests and matters such as the cost and expense of doing a further reallocation versus the materiality of the variance having regard to the portfolio's performance as a whole.

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 review procedures will apply to the Amendment Agreements entered into in

connection with the Reallocation. For details of the auditors' review procedures, 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 Regal REIT annually and give their confirmation in Regal REIT's annual report for the relevant financial period. This review will also apply to the Amendment Agreements entered into in connection with the Reallocation. For details of the review by the independent non-executive directors, 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.

## **G. INFORMATION ON REGAL REIT, THE LESSEE AND REGAL**

### **1. 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 hotels, serviced apartments or commercial properties including office 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 six properties (five wholly-owned and one majority-owned) which are located across different districts in Hong Kong.

### **2. The Lessee and Regal**

Regal is a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 78). The principal activities of Regal and its subsidiaries are hotel operation and management, investment in Regal REIT, asset management of Regal REIT, property development and investment and other investments. The Lessee is a wholly-owned subsidiary of Regal.

## DEFINITIONS

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

- “2008 Valuations” means the valuations of the Initial Hotel Properties as at 31 December 2008, as set out in the valuation report dated 27 February 2009 prepared by the Independent Property Valuer;
- “2009 Valuations” means the valuations of the Initial Hotel Properties as at 31 December 2009 to be prepared by the Independent Property Valuer;
- “Amendment Agreements” means collectively:
- (i) the amendment agreement to Lease Agreement No. 1 for Regal Airport Hotel entered into between Bauhinia Hotels Limited and the Lessee on 12 February 2010;
  - (ii) the amendment agreement to Lease Agreement No. 2 for Regal Hongkong Hotel entered into between Cityability Limited and the Lessee on 12 February 2010;
  - (iii) the amendment agreement to Lease Agreement No. 3 for Regal Kowloon Hotel entered into between Ricobem Limited and the Lessee on 12 February 2010;
  - (iv) the amendment agreement to Lease Agreement No. 4 for Regal Oriental Hotel entered into between Gala Hotels Limited and the Lessee on 12 February 2010; and
  - (v) the amendment agreement to Lease Agreement No. 5 for Regal Riverside Hotel entered into between Regal Riverside Hotel Limited and the Lessee on 12 February 2010;
- “Base Rent” means the pre-determined rent payable by the Lessee to the Lessor pursuant to each Lease Agreement;
- “Board” means the board of directors of the REIT Manager;

“CPT Waiver”	means the authorization letter issued by the SFC to Regal REIT dated 5 March 2007 which set out, among other things, a conditional waiver from strict compliance with the disclosure and Unitholders’ approvals requirements under Chapter 8 of the REIT Code in respect of certain connected party transactions including, but not limited to, the Lease Agreements;
“Directors”	means the directors of the REIT Manager;
“DPU”	means distribution(s) per Unit;
“Hotel Management Agreements”	means the hotel management agreements, all dated 16 March 2007, among the Lessors, the Lessee, Regal Hotels International Limited, Regal Asset Holdings Limited and Regal relating to the provision of certain hotel management, lease management as well as marketing and marketing coordination services in respect of the Initial Hotel Properties;
“Implied Yield”	means a performance ratio derived from dividing the applicable Base Rent in respect of an Initial Hotel Property by its individual valuation stated in the 2008 Valuations;
“Independent Property Valuer”	means CB Richard Ellis Limited, the principal valuer of Regal REIT with respect to the 2008 Valuations, and Colliers International (Hong Kong) Ltd, the principal valuer of Regal REIT with respect to the 2009 Valuations;
“Initial Hotel Properties”	means the Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel and “ <b>Initial Hotel Property</b> ” means any one of them;
“Lease Agreements”	means the lease agreements, all dated 16 March 2007, entered into between the Lessee and each of the Lessors relating to each of the Initial Hotel Properties, and “ <b>Lease Agreement</b> ” means any one of them;
“Lessee”	means Favour Link International Limited, a wholly-owned subsidiary of Regal;

“Lessors”	means the respective direct owners of the Initial Hotel Properties (being (i) Bauhinia Hotels Limited, in relation to Regal Airport Hotel, (ii) Cityability Limited, in relation to Regal Hongkong Hotel, (iii) Ricobem Limited, in relation to Regal Kowloon Hotel, (iv) Gala Hotels Limited, in relation to Regal Oriental Hotel and (v) Regal Riverside Hotel Limited, in relation to Regal Riverside Hotel) and “Lessor” means any one of them;
“NAV”	means net asset value, which is calculated as total assets minus total liabilities;
“Net Property Income”	means, in relation to the results of operation of an Initial Hotel Property, an amount equal to adjusted gross operating profit less (i) hotel management base fees, (ii) hotel management incentive fees and (iii) fixed charges, as more fully described in the Hotel Management Agreements;
“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;
“Reallocation”	means the reallocation of the Base Rent payable in respect of each of the Initial Hotel Properties for the years 2009 and 2010, which is further described in paragraph A of this announcement;
“Regal”	means Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 78);
“Regal Airport Hotel” or “RAH”	means the property sub-leased by Bauhinia Hotels Limited from the Airport Authority on which Regal Airport Hotel is situated;
“Regal Hongkong Hotel” or “RHK”	means the property owned by Cityability Limited on which Regal Hongkong Hotel is situated;
“Regal Kowloon Hotel” or “RKH”	means the property owned by Ricobem Limited on which Regal Kowloon Hotel is situated;
“Regal Oriental Hotel” or “ROH”	means the property owned by Gala Hotels Limited on which Regal Oriental Hotel is situated;

“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;
“Regal Riverside Hotel” or “RRH”	means the property owned by Regal Riverside Hotel Limited on which Regal Riverside Hotel is situated;
“REIT Code”	means the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified from time to time;
“REIT Manager”	means Regal Portfolio Management Limited, the manager of Regal REIT;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“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; and

“Variable Rent”

means the variable rent payable by the Lessee pursuant to the Lease Agreements, being a 100%, 70%, 60% and 50% share of the excess of the aggregate Net Property Income over the aggregate annual Base Rent for any relevant period, taking into account any negative net property income, for each year from 2007 to 2010, respectively.

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, 12 February, 2010

*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.*