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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



2014 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL AND BUSINESS HIGHLIGHTS

For the year ended 31st December, 2014

	2014 HK\$ million	2013 HK\$ million	% Change
Gross rental revenue	958.0	823.0	+16.4%
Gross hotel revenue	42.7	43.9	-2.9%
Net rental and hotel income	971.4	837.1	+16.0%
Core profit, excluding fair value changes on investment properties	505.4	433.3	+16.6%
Profit for the year, before distributions to Unitholders*	238.5	342.6	-30.4%
Distributable income for the year attributable to Unitholders	<u>532.9</u>	<u>497.1</u>	+7.2%
Total assets	<u>24,287.5</u>	<u>23,203.0</u>	+4.7%
Net assets attributable to Unitholders	<u>15,502.6</u>	<u>15,774.1</u>	-1.7%
Final distribution per Unit	<u>HK\$0.088</u>	<u>HK\$0.083</u>	+6.0%
Total distributions per Unit	<u>HK\$0.162</u>	<u>HK\$0.150</u>	+8.0%
Net Asset Value per Unit attributable to Unitholders	<u>HK\$4.759</u>	<u>HK\$4.843</u>	-1.7%

* Included a revaluation deficit of HK\$90.7 million and HK\$266.9 million (after taking into account the capital expenditures incurred) that arose from fair value changes on investment properties based on the independent valuer's appraisal as at 31st December, 2013 and 31st December, 2014, respectively.

- Net rental and hotel income amounted to HK\$971.4 million, representing an increase of 16.0% year-on-year.
- Core profit, excluding fair value changes on investment properties, increased by 16.6% year-on-year from HK\$433.3 million to HK\$505.4 million.
- Profit for the year before distributions amounted to HK\$238.5 million (2013: HK\$342.6 million).
- Total distributable income amounted to HK\$532.9 million, representing an increase of 7.2% year-on-year.
- As at 31st December, 2014, net assets attributable to Unitholders amounted to HK\$15,502.6 million, representing net asset value of HK\$4.759 per Unit.
- Final distribution of HK\$0.088 per Unit for 2014, a year-on-year increase of 6.0%. Total distributions for 2014 amount to HK\$0.162 per Unit, a year-on-year increase of 8.0%.
- The combined average occupancy rate of the five Initial Hotels was maintained at 92.4% and the average room rate enhanced by 2.6% year-on-year, both outperforming the industry average.
- Base Rent for the five Initial Hotels will increase by 2.7% from HK\$743.0 million for 2014 to HK\$763.0 million for 2015, with Variable Rent continuing to be based on 50% sharing of the excess of the aggregate net property income over the Base Rent.
- The iclub Wan Chai Hotel, which is owned and self-operated by Regal REIT, continued to enjoy strong demand and maintained virtually full occupancy for the second consecutive year, although its average room rate was modestly down by 2.6% due to keen competition within the Wan Chai area.
- The iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel have also been leased to the lessee of the Initial Hotels, which is a wholly-owned subsidiary of RHIHL, and generated additional aggregate cash rental income of HK\$105.6 million during the year.
- The acquisitions of the two new iclub Hotels have increased the coverage of Regal REIT's properties portfolio on select-service hotels in strategic locations, enabling it to capture a wider range of business and leisure visitors. Regal REIT now owns a total of eight operating hotels in Hong Kong, boosting an aggregate of 4,569 guestrooms and suites.
- Subsequent to the year under review, Regal REIT entered into various conditional supplemental agreements with the lessee of the Initial Hotels, essentially to extend the expiry of the existing lease terms from 31st December, 2015 to 31st December, 2020, which are subject to approval by the independent Unitholders.

- **Regal REIT has also proposed for the Unitholders' approval amendments to its Trust Deed, in line with the amendments to the REIT Code which became effective from 29th August, 2014, to provide flexibility to Regal REIT to undertake property development activities and to invest in certain financial instruments, subject to prescribed thresholds and control measures.**
- **As the only hospitality real estate investment trust with market concentration in Hong Kong, Regal REIT is committed to maintaining its leading position as one of the pre-eminent hotel owners in Hong Kong and will actively search for new business opportunities that will generate good investment returns and long term capital appreciation.**

FINANCIAL RESULTS

For the year ended 31st December, 2014, Regal Real Estate Investment Trust (“**Regal REIT**”) achieved a consolidated net profit before distributions to unitholders of Regal REIT (the “**Unitholders**”) of HK\$238.5 million, as compared to HK\$342.6 million recorded for the year 2013. The decrease in the consolidated net profit reported for 2014 was attributable to an accounting loss of HK\$266.9 million arising mainly from the fair value changes in the appraised values of the Initial Hotels portfolio, comprising Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel, between the two year end dates, having taken into account the amount of capital expenditure incurred. If the effects of these fair value changes are excluded, the core profit before distributions to Unitholders for the year under review would amount to HK\$505.4 million, representing an increase of 16.6% over the corresponding amount of HK\$433.3 million for the year 2013.

Benefitting from the increased rental income, including the new rental receipts from the two latest iclub Hotels in Sheung Wan and Fortress Hill acquired in 2014, the total distributable income for the year under review amounted to HK\$532.9 million, which was an increase of 7.2% over the HK\$497.1 million reported last year. The board of directors (the “**Directors**”) of Regal Portfolio Management Limited (the “**REIT Manager**”) has resolved to declare a final distribution of HK\$0.088 per unit of Regal REIT (the “**Unit(s)**”) for the year ended 31st December, 2014. Together with the interim distribution of HK\$0.074 per Unit paid, this will bring the total distributions per Unit for 2014 to HK\$0.162, an increase of 8.0% over the HK\$0.150 per Unit distributed for 2013. Total distributions for the year, including both the interim and final distributions, will amount to HK\$527.7 million and represent a payout ratio of 99.0% of the total distributable income for 2014.

HOTEL MARKET AND BUSINESS REVIEW

During the year under review, the worldwide economy showed signs of divergence. In late October 2014, the US Federal Reserve officially ended the “QE3”, in the light of a gradual recovery in the US economy; while the economies in the Eurozone and Japan remained stagnant. In the People’s Republic of China, Gross Domestic Product (GDP) increased by 7.4% year-on-year, representing a drop of 0.3% as compared to the preceding year. Meanwhile, the GDP of Hong Kong increased moderately by 2.3%, but reflecting a negative growth of about 0.6% as compared to 2013.

In 2014, visitor arrivals to Hong Kong surged by 12.0% year-on-year to a total of over 60.8 million, with visitors from the Mainland China accounting for more than 77% of the total count. More than half of the visitor arrivals were sameday visitors, which have no direct impact on the local hotel sector. Based on a hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories for 2014 was 90%, a year-on-year increase of 1% over 2013, while the industry-wide achieved average room rate recorded a slight upward adjustment of 1.8%.

For the year under review, the five Initial Hotels in Hong Kong, which are leased to a wholly-owned subsidiary of Regal Hotels International Holdings Limited (“**RHIHL**”), the immediate listed holding company of Regal REIT, achieved satisfactory performance. Despite the effects of the “Occupy Central” activity from late September to mid-December 2014, the combined average occupancy rate for the Initial Hotels was maintained at 92.4% as compared to the level of 90.2% in 2013, while the average room rate enhanced by 2.6% year-on-year, both outperforming the industry average.

The total net property income (“**NPI**”) generated by the five Initial Hotels for the year amounted to HK\$918.1 million, which represented an excess of HK\$175.1 million over the aggregate annual base rent (the “**Base Rent**”) of HK\$743.0 million, 50% of which was attributable to Regal REIT as variable rent (the “**Variable Rent**”). The iclub Wan Chai Hotel, which is owned and self-operated by Regal REIT, continued to enjoy strong demand and maintained virtually full occupancy for the second consecutive year, although its average room rate was modestly down by 2.6% due to keen competition within the Wan Chai area. As previously reported, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel were acquired in February and July 2014, respectively. They have also been leased to the lessee of the Initial Hotels and generated additional aggregate cash rental income of HK\$105.6 million for Regal REIT during the year.

These new acquisitions have increased the coverage of Regal REIT's properties portfolio on select-service hotels in strategic locations, enabling it to capture a wider range of business and leisure visitors. Regal REIT now owns a total of eight operating hotels in Hong Kong, boosting an aggregate of 4,569 guestrooms and suites.

The rental review for the leasing of the five Initial Hotels for 2015 was completed in August 2014. The aggregate annual Base Rent for 2015 has been determined at HK\$763.0 million, reflecting a moderate increase of 2.7% over the annual Base Rent of HK\$743.0 million for 2014, with Variable Rent continuing to be based on 50% sharing of the excess of the aggregate NPI of the Initial Hotels over the aggregate Base Rent.

The existing leases of the five Initial Hotels are due to expire on 31st December, 2015. To ensure the stability of the main revenue stream, Regal REIT has recently entered into various conditional supplemental agreements with the lessee, essentially to extend the lease terms to 31st December, 2020, with the market rental packages for the extended term continuing to be determined annually by a jointly appointed independent professional property valuer. These lease extensions together with the other lease related matters are subject to approval by the independent Unitholders at an extraordinary general meeting to be held on 14th April, 2015 (the "EGM"). Detailed information regarding, among others, the proposed lease extensions is contained in the announcement and the circular to the Unitholders, both dated 13th March, 2015.

The amendments to the Code on Real Estate Investment Trusts (the "REIT Code") proposed by the Securities and Futures Commission, which will allow REITs in Hong Kong to undertake property development activities and to invest in certain financial instruments subject to prescribed thresholds and control measures, became effective from 29th August, 2014. Accordingly, the REIT Manager has proposed for approval by the Unitholders at the EGM corresponding changes to the trust deed of Regal REIT, which will provide flexibility to Regal REIT with an expanded investment scope in line with the amendments to the REIT Code. Details of this proposal are also included in the said circular to the Unitholders dated 13th March, 2015.

BUSINESS OUTLOOK

In order for the tourism industry in Hong Kong to continue to flourish, the support from the Hong Kong Government and its continuing commitment to invest in infrastructural developments are most crucial. In addition to the projects under construction, such as the Hong Kong-Zhuhai-Macao Bridge and the 26-km long Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link which promote expedient connections with Macao and the Mainland, the Government is expanding the local mass transportation railway network by building the West Island Line, the South Island Line and the Shatin to Central Link and has just approved the construction of a third runway at the Hong Kong International Airport. The Government is also carrying out infrastructure work at the former Kai Tak airport area to tie in with the development of the “hotel belt” adjacent to the Kai Tak Cruise Terminal. At the same time, both theme parks in Hong Kong, Disneyland and Ocean Park, are pressing ahead with expansion plans. All these infrastructural and tourism developments will have significant and positive contributions to the tourism and hospitality sectors in Hong Kong.

The Group is hopeful that the Hong Kong Government will continue to commit sufficient resources to enhance and upgrade its infrastructural facilities, ensuring that Hong Kong will have sufficient capacities to accommodate and serve the demands of an increasing number of global and regional visitors to Hong Kong, and maintaining its long-held reputation as a much favoured shopping, sightseeing and entertainment destination. The REIT Manager is optimistic that the tourism and hotel markets in Hong Kong will continue to prosper, albeit there could be some short term ripples. Being the only listed hospitality REIT with market concentration in Hong Kong, the REIT Manager is committed to maintaining Regal REIT’s leading position as one of the pre-eminent hotel owners in Hong Kong. The REIT Manager will actively search for new business opportunities that will generate good investment returns and long term capital appreciation.

CLOSURE OF REGISTER OF UNITHOLDERS

The Register of Unitholders will be closed from Thursday, 14th May, 2015 to Monday, 18th May, 2015, both days inclusive, during which period no transfers of Units will be effected. In order to qualify for the distribution, all Unit certificates with completed transfer forms must be lodged with Regal REIT’s Unit registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Wednesday, 13th May, 2015. The relevant distribution warrants are expected to be despatched on or about 26th May, 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

During the year, Regal REIT received an aggregate Base Rent in cash of HK\$743.0 million from Favour Link International Limited (the “Lessee”) for the leasing of the Initial Hotels. For the year, as the aggregate NPI from hotel operations of the Initial Hotels was HK\$918.1 million, Variable Rent of HK\$87.6 million was earned, which was Regal REIT’s 50% share of the excess of the aggregate NPI over the Base Rent according to the market rental package for 2014.

During the year, iclub Wan Chai Hotel – hotel portion contributed gross hotel revenue of HK\$42.7 million and incurred operating costs and expenses amounting to HK\$17.8 million. iclub Wan Chai Hotel – non-hotel portions generated rental income of HK\$5.7 million for the year under review.

During the period from 10th February, 2014 to 31st December, 2014, Regal REIT earned fixed rental of HK\$73.8 million, recognized on straight-line basis, from the Lessee for the leasing of the iclub Sheung Wan Hotel.

Similarly, during the period from 28th July, 2014 to 31st December, 2014, Regal REIT earned fixed rental of HK\$37.2 million, recognized on straight-line basis, from the Lessee for the leasing of the iclub Fortress Hill Hotel.

During the year, Regal REIT incurred capital expenditures of HK\$43.9 million on major capital additions and completed renovation work for approximately 310 hotel rooms.

Financial Review

At 31st December, 2014, Regal REIT had unsecured notes due in 2018 for an aggregate nominal principal amount of HK\$1,938.6 million and bank loan facilities of up to HK\$6,855.0 million with different maturities.

In January 2013, Regal REIT established and listed a US\$1.0 billion medium term note programme (the “**MTN Programme**”), which was intended to serve as a funding platform to finance the planned expansion of Regal REIT.

In March 2013, by way of private placements under the MTN Programme, a series of unsecured 5-year term notes due March 2018 for an aggregate amount of HK\$775.0 million at a coupon interest rate of 4.125% per annum were issued (the “**March 2013 Notes**”). In May 2013, by way of syndicated placements, another series of unsecured 5-year term notes due May 2018 for an aggregate amount of US\$150.0 million at a coupon interest rate of 4.10% per annum were issued (the “**May 2013 Notes**”). The aggregate net proceeds of these two notes amounted to approximately HK\$1,920.9 million, which were used for payments of the deposit and refundable cash collateral in relation to the acquisitions of the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel, respectively.

On 22nd July, 2013, the payments of the deposit and refundable cash collateral were effected after approval of the relevant transactions by the independent Unitholders. According to the terms of the related share purchase agreement and the option agreement, P&R Holdings Limited (“**P&R Holdings**”) paid interest quarterly to Regal REIT at the rate of 4.3047% per annum on the deposit and the refundable cash collateral, from the dates of payment by Regal REIT up to the respective dates when the deposit and the refundable cash collateral were refunded to the trustee of Regal REIT in February and July 2014, respectively.

As at 31st December, 2014, the aggregate nominal principal amount of the March 2013 Notes and the May 2013 Notes stood at HK\$1,938.6 million.

As at 31st December, 2014, Regal REIT had loan facilities aggregating HK\$6,855.0 million, comprised of: (a) term and revolving loan facilities of up to HK\$4,800.0 million secured by three of the five Initial Hotels; (b) a loan facility of HK\$440.0 million secured by the iclub Wan Chai Hotel; (c) term and revolving loan facilities of up to HK\$790.0 million secured by the iclub Sheung Wan Hotel; and (d) term and revolving loan facilities of up to HK\$825.0 million secured by the iclub Fortress Hill Hotel.

The agreement for a term loan facility up to HK\$4,500.0 million and a revolving facility of up to HK\$300.0 million (the “**2013 IH Facilities**”) was entered into on 23rd July, 2013 by Regal REIT, through its wholly-owned subsidiaries, for a term of five years to July 2018, and is secured by three of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. The 2013 IH Facilities bear Hong Kong Interbank Offered Rates (HIBOR)-based interest. As at 31st December, 2014, the outstanding amount on the 2013 IH Facilities was HK\$4,520.0 million, comprised of the full amount of the term loan facilities of HK\$4,500.0 million and the amount outstanding under the revolving facility of HK\$20.0 million.

Regal REIT, through its wholly-owned subsidiary, had a bilateral loan facility of HK\$340.0 million (the “**2012 WC Facility**”) for the iclub Wan Chai Hotel with an original expiry in February 2015. On 22nd December, 2014, a new term loan facility agreement for a principal amount of up to HK\$440.0 million (the “**2014 WC Facility**”) was entered into, for a new term of 5 years to December 2019. The 2014 WC Facility bears HIBOR-based interest throughout the term and was fully drawn with the proceeds being applied mainly for the repayment of the 2012 WC Facility. As at 31st December, 2014, the outstanding loan facility was HK\$440.0 million.

On 10th February, 2014, Regal REIT, through its wholly-owned subsidiary, arranged for a bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving facility of HK\$158.0 million, secured by the iclub Sheung Wan Hotel (the “**2014 SW Facilities**”). The 2014 SW Facilities, used primarily to complete the acquisition of the iclub Sheung Wan Hotel after deduction of the deposit of HK\$948.0 million from the purchase consideration, have a term of 5 years to February 2019. As at 31st December, 2014, the utilized 2014 SW Facilities were comprised of the full term loan amount of HK\$632.0 million and an amount of HK\$43.0 million outstanding under the revolving facility.

On 28th July, 2014, Regal REIT, through its wholly-owned subsidiary, arranged for another bilateral loan facility of up to HK\$825.0 million, comprised of a term loan facility of HK\$660.0 million and a revolving facility of HK\$165.0 million, secured by the iclub Fortress Hill Hotel (the “**2014 FH Facilities**”). The 2014 FH Facilities, arranged primarily to complete the acquisition of the iclub Fortress Hill Hotel after deduction of the refundable cash collateral of HK\$990.0 million from the purchase consideration, have a term of 5 years to July 2019. As at 31st December, 2014, the utilized 2014 FH Facilities comprised only of the full term loan amount of HK\$660.0 million.

In order to hedge against fluctuations in interest rates, Regal REIT entered into certain interest rate swap arrangements covering the period from 2012 to 2015. As at 31st December, 2014, the interest costs for approximately 44% of the debt exposure in respect of the aggregate loan facilities has been set at fixed rates through various plain vanilla interest rate swaps against floating HIBOR. The fixed rates payable to the hedging banks range from 0.355% per annum to 0.483% per annum, with maturities up to 9th March, 2015.

At 31st December, 2014, the gearing ratio of Regal REIT was 33.9% (2013: 29.8%), being the gross amount of the outstanding loans and debts aggregating HK\$8,233.6 million, which takes into account: (a) the debts in relation to the March 2013 Notes and the May 2013 Notes issued under the MTN Programme for an aggregate nominal principal amount of HK\$1,938.6 million; (b) the 2013 IH Facilities of HK\$4,520.0 million; (c) the 2014 WC Facility of HK\$440.0 million; (d) the 2014 SW Facilities of HK\$675.0 million; and (e) the 2014 FH Facilities of HK\$660.0 million, as compared to the total gross assets of HK\$24,287.5 million, which is below the maximum 45% permitted under the REIT Code.

Regal REIT had a total of HK\$47.2 million in restricted bank balances and HK\$59.1 million in unrestricted cash and bank balances, and unutilized revolving facilities of HK\$560.0 million as at 31st December, 2014. Regal REIT maintains sufficient cash reserves and receives timely payments of rental income to satisfy its financial commitments and working capital requirements on an on-going basis.

As at 31st December, 2014, six of the eight Regal REIT properties, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Riverside Hotel, iclub Wan Chai Hotel, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel, with an aggregate carrying value of HK\$16,479.0 million, were pledged to secure bank loan facilities granted to Regal REIT.

Valuation of the Properties Portfolio

As at 31st December, 2014, Regal REIT's overall properties portfolio were valued at HK\$24,119.0 million (31st December, 2013: HK\$21,080.0 million). The properties portfolio is comprised of the five Initial Hotels, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the non-hotel portions of iclub Wan Chai Hotel that are classified as investment properties and the owner-occupied hotel portion of the iclub Wan Chai Hotel which is classified as property, plant and equipment.

Valuations of the properties as at 31st December, 2014 are tabulated below.

Property	Location	31 Dec 2014 Valuation HK\$ million	31 Dec 2013 Valuation HK\$ million	% Change
<i>Initial Hotels:</i>				
Regal Airport Hotel	Lantau Island	3,480	3,440	+1.2%
Regal Hongkong Hotel	HK Island	4,180	4,290	-2.6%
Regal Kowloon Hotel	Kowloon	5,480	5,480	–
Regal Oriental Hotel	Kowloon	2,160	2,230	-3.1%
Regal Riverside Hotel	New Territories	4,700	4,760	-1.3%
		20,000	20,200	-1.0%
<i>iclub Hotels:</i>				
iclub Wan Chai Hotel	HK Island	889	880	+1.0%
iclub Sheung Wan Hotel	HK Island	1,580	N/A	N/A
iclub Fortress Hill Hotel	HK Island	1,650	N/A	N/A
Overall properties portfolio		24,119	21,080	+14.4%

The valuation of the properties portfolio as at 31st December, 2014 was conducted by Savills Valuation and Professional Services Limited (“Savills”), the principal valuer of Regal REIT appointed by the trustee of Regal REIT pursuant to the provisions of the REIT Code.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Revenue			
Gross rental revenue	5	958,058	823,049
Gross hotel revenue	5	42,653	43,913
		<u>1,000,711</u>	<u>866,962</u>
Property and hotel operating expenses		<u>(29,340)</u>	<u>(29,856)</u>
Net rental and hotel income	5	971,371	837,106
Interest and other income		28,980	39,836
Depreciation	10	(8,531)	(8,147)
Fair value changes on investment properties	11	(266,929)	(90,749)
REIT Manager fees	6	(134,699)	(95,298)
Trust, professional and other expenses		(14,607)	(20,777)
Finance costs – excluding distributions to Unitholders	7	<u>(217,832)</u>	<u>(225,678)</u>
Profit before tax and distributions to Unitholders		357,753	436,293
Income tax expense	8	<u>(119,299)</u>	<u>(93,735)</u>
Profit for the year, before distributions to Unitholders		238,454	342,558
Finance costs – distributions to Unitholders		<u>(511,417)</u>	<u>(469,070)</u>
Loss for the year, after distributions to Unitholders		<u>(272,963)</u>	<u>(126,512)</u>
Earnings per Unit attributable to Unitholders			
Basic and diluted	9	<u>HK\$0.073</u>	<u>HK\$0.105</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Profit for the year, before distributions to Unitholders		238,454	342,558
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Changes in fair values of cash flow hedges		(3,954)	(7,380)
Transfer from hedging reserve to consolidated statement of profit or loss		<u>6,010</u>	<u>6,103</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		<u>2,056</u>	<u>(1,277)</u>
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Loss on revaluation of property	10	(790)	(34,876)
Income tax effect	17	<u>131</u>	<u>5,755</u>
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		<u>(659)</u>	<u>(29,121)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>1,397</u>	<u>(30,398)</u>
Total comprehensive income for the year, before distributions to Unitholders		<u><u>239,851</u></u>	<u><u>312,160</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2014

	Notes	31st December, 2014 HK\$'000	31st December, 2013 HK\$'000
Non-current assets			
Property, plant and equipment	10	691,000	700,000
Investment properties	11	23,428,000	20,380,000
Deposit		–	948,000
Total non-current assets		24,119,000	22,028,000
Current assets			
Accounts receivable	12	56,457	54,897
Prepayments, deposits and other receivables		5,795	1,018,293
Due from related companies		–	209
Tax recoverable		–	1,470
Restricted cash		47,156	51,868
Cash and cash equivalents		59,094	48,214
Total current assets		168,502	1,174,951
Total assets		24,287,502	23,202,951
Current liabilities			
Accounts payable	13	94,292	131,936
Deposits received		124	2,673
Due to related companies		6,199	–
Other payables and accruals		37,216	38,403
Interest-bearing bank borrowings		63,000	154,794
Derivative financial instruments		2,024	–
Tax payable		32,015	7,818
Total current liabilities		234,870	335,624
Net current assets/(liabilities)		(66,368)	839,327
Total assets less current liabilities		24,052,632	22,867,327

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

	Notes	31st December, 2014 HK\$'000	31st December, 2013 HK\$'000
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing bank borrowings		6,170,739	4,762,627
Other borrowings	14	1,926,604	1,922,720
Derivative financial instruments		–	4,076
Deposits received		2,653	–
Deferred tax liabilities	17	450,066	403,768
Total non-current liabilities		<u>8,550,062</u>	<u>7,093,191</u>
Total liabilities, excluding net assets attributable to Unitholders		<u>8,784,932</u>	<u>7,428,815</u>
Net assets attributable to Unitholders		<u>15,502,570</u>	<u>15,774,136</u>
Number of Units in issue	15	<u>3,257,431,189</u>	<u>3,257,431,189</u>
Net asset value per Unit attributable to Unitholders	16	<u>HK\$4.759</u>	<u>HK\$4.843</u>

DISTRIBUTION STATEMENT

For the year ended 31st December, 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Profit for the year, before distributions to Unitholders		238,454	342,558
Adjustments:			
Difference in accounting rental income and contractual cash rental income		(5,456)	–
Amounts set aside for the furniture, fixtures and equipment reserve	(d)	(41,425)	(38,867)
Amortisation of debt establishment costs		19,144	56,377
Fair value changes on investment properties		266,929	90,749
Depreciation		8,531	8,147
Foreign exchange differences, net		318	–
Deferred tax charge		46,429	38,112
Distributable income for the year	(a) & (b)	532,924	497,076
		HK\$	HK\$
Distributions per Unit:			
Interim	(a)	0.074	0.067
Final	(b) & (c)	0.088	0.083
		0.162	0.150

Notes:

- (a) Pursuant to the Trust Deed, Regal REIT is required to ensure that the total amount distributed to Unitholders shall not be less than 90% of Regal REIT's total distributable income for each financial year. The current policy of the REIT Manager is to distribute to Unitholders no less than 90% of Regal REIT's total distributable income for each financial year. The amount of any distribution for the interim period of each financial year is at the discretion of the REIT Manager. The REIT Manager on this basis made an interim distribution of HK\$0.074 per Unit for the six months ended 30th June, 2014, resulting in a total amount of interim distribution of HK\$241.0 million.

- (b) Pursuant to the Trust Deed, the REIT Manager determines the date (the “**Record Date**”) in respect of each distribution period for the purpose of establishing Unitholder entitlements to distributions. The Record Date has been set as 18th May, 2015 in respect of the final distribution for the period from 1st July, 2014 to 31st December, 2014. The final distribution will be paid out to Unitholders on or about 26th May, 2015. The total amount of final distribution to be paid to Unitholders of HK\$286.7 million is arrived at based on the final distribution per Unit of HK\$0.088 and the number of Units expected to be in issue at the Record Date that are entitled to distributions. The total amount of the distributions to Unitholders for the year, being the total of the interim distribution of HK\$241.0 million and the final distribution of HK\$286.7 million, amounted to HK\$527.7 million or 99.0% of the total distributable income for the year.
- (c) The final distribution of HK\$0.088 per Unit for the period from 1st July, 2014 to 31st December, 2014, involving an amount of HK\$286.7 million, was resolved and declared by the REIT Manager on 24th March, 2015. Accordingly, the distribution is not reflected as a distribution payable in the consolidated financial statements and will be reflected in the consolidated financial statements for the year ending 31st December, 2015. The final distribution for the period from 1st July, 2013 to 31st December, 2013 of HK\$270.4 million is included in the amount of distributions paid during the year as reported in the current year consolidated financial statements.
- (d) Amounts set aside by Regal REIT for the furniture, fixtures and equipment reserve with respect to the Initial Hotels and iclub Wan Chai Hotel aggregated HK\$41.4 million (2013: HK\$38.9 million).

Notes to Consolidated Financial Statements

1. GENERAL

Regal REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its Units were listed on The Stock Exchange of Hong Kong Limited on 30th March, 2007. Regal REIT is governed by a trust deed dated 11th December, 2006 (as amended by the first supplemental deed dated 2nd March, 2007, the second supplemental deed dated 15th May, 2008, the third supplemental deed dated 8th May, 2009, the fourth supplemental deed dated 23rd July, 2010, the fifth supplemental deed dated 3rd May, 2011 and the sixth supplemental deed dated 21st July, 2011) constituting Regal REIT (the “**Trust Deed**”) and the REIT Code.

The principal activity of Regal REIT and its subsidiaries (collectively, the “**Group**”) is to own and invest in income-producing hotels, serviced apartments or commercial properties (including office properties) with the objectives of producing stable and growing distributions to Unitholders and to achieve long-term growth in the net asset value per Unit attributable to Unitholders.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code. The consolidated financial statements have been prepared under the historical cost convention, except for property, plant and equipment, investment properties and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars, the functional currency of Regal REIT, and all values are rounded to the nearest thousand except when otherwise indicated.

The basis of preparation and accounting policies adopted in the financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31st December, 2013 except for the adoption of the revised standards and a new interpretation as disclosed in note 3 below.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and a new interpretation for the first time for the current year financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition¹</i>
Amendment to HKFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination¹</i>
Amendment to HKFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

¹ Effective from 1st July, 2014

Other than explained below regarding the impact of amendments to HKAS 32 and HKAS 39, and amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*, the adoption of the above revised standards and interpretation has had no significant financial effect on the financial statements.

- (a) The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

- (b) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives to a central counterparty during the current and prior years.
- (c) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

4. OPERATING SEGMENT INFORMATION

Operating segments of the Group are identified on the basis of internal reports covering the components of the Group which are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to segments and assess their performance. Information reported to the Group's chief operating decision-maker, for the above-mentioned purposes, is mainly focused on the segment results related to the nature of properties, namely, the hotel properties and the mixed use property. For management purposes, the two reportable operating segments are (i) the hotel properties segment which invested in the Initial Hotels, the iclub Sheung Wan Hotel and the iclub Fortress Hill Hotel; and (ii) the mixed use property segment which invested in the iclub Wan Chai Hotel and is made up of the hotel portion and non-hotel portions.

The operating segments of the Group for the year ended 31st December, 2014 are as follows:

	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Segment revenue			
Gross rental revenue	952,301	5,757	958,058
Gross hotel revenue	–	42,653	42,653
Total	<u>952,301</u>	<u>48,410</u>	<u>1,000,711</u>
Segment results	<u>941,252</u>	<u>30,119</u>	971,371
Fair value changes on investment properties	(284,929)	18,000	(266,929)
Depreciation	–	(8,531)	(8,531)
Interest and other income			28,980
REIT Manager fees			(134,699)
Trust, professional and other expenses			(14,607)
Finance costs – excluding distributions to Unitholders			<u>(217,832)</u>
Profit before tax and distributions to Unitholders			<u>357,753</u>

The operating segments of the Group for the year ended 31st December, 2013 are as follows:

	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Segment revenue			
Gross rental revenue	817,927	5,122	823,049
Gross hotel revenue	–	43,913	43,913
Total	<u>817,927</u>	<u>49,035</u>	<u>866,962</u>
Segment results	<u>807,184</u>	<u>29,922</u>	837,106
Fair value changes on investment properties	(108,749)	18,000	(90,749)
Depreciation	–	(8,147)	(8,147)
Interest and other income			39,836
REIT Manager fees			(95,298)
Trust, professional and other expenses			(20,777)
Finance costs – excluding distributions to Unitholders			<u>(225,678)</u>
Profit before tax and distributions to Unitholders			<u>436,293</u>

Segment assets and liabilities

As part of the Group's performance assessment, the fair values of investment properties and property, plant and equipment are reviewed by the Group's chief operating decision-maker.

As at 31st December, 2014, the Group's segment assets, comprised of aggregate fair values of the investment properties and property, plant and equipment in the hotel properties segment and the mixed use property segment, amounted to HK\$23,230,000,000 (2013: HK\$20,200,000,000) and HK\$889,000,000 (2013: HK\$880,000,000), respectively.

Save as set out above, no other assets and liabilities are included in the assessment of the Group's segment performance.

Other segment information

	Year ended 31st December, 2014		
	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Capital expenditures	<u>84,929</u>	<u>321</u>	<u>85,250</u>

	Year ended 31st December, 2013		
	Hotel Properties HK\$'000	Mixed Use Property HK\$'000	Total HK\$'000
Capital expenditures	<u>178,749</u>	<u>3,023</u>	<u>181,772</u>

Capital expenditures consist of additions to investment properties and property, plant and equipment.

Information about a major customer

Revenue of HK\$952,301,000 (2013: HK\$817,927,000) was derived from the lease of the hotel properties to a single lessee which is a related company.

Geographical information

The Group's investment properties and property, plant and equipment are all located in Hong Kong.

5. NET RENTAL AND HOTEL INCOME

	Notes	2014 HK\$'000	2013 HK\$'000
Gross rental revenue			
Rental income			
– Initial Hotels	(a)	830,572	807,497
– iclub Wan Chai Hotel – Non-hotel portions		5,757	5,122
– iclub Sheung Wan Hotel	(b)	73,792	–
– iclub Fortress Hill Hotel	(c)	37,227	–
Other income		10,710	10,430
		<u>958,058</u>	<u>823,049</u>
Property operating expenses		<u>(11,539)</u>	<u>(11,221)</u>
Net rental income		<u>946,519</u>	<u>811,828</u>
Gross hotel revenue		42,653	43,913
Hotel operating expenses		<u>(17,801)</u>	<u>(18,635)</u>
Net hotel income		<u>24,852</u>	<u>25,278</u>
Net rental and hotel income		<u>971,371</u>	<u>837,106</u>

Notes:

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

	2014 HK\$'000	2013 HK\$'000
Base Rent	743,000	734,000
Variable Rent	87,572	73,497
	<u>830,572</u>	<u>807,497</u>

(b) An analysis of the iclub Sheung Wan Hotel rental income is as follows:

	2014 HK\$'000	2013 HK\$'000
Contractual cash rental income	70,301	–
Difference in accounting rental income and contractual cash rental income	3,491	–
	<u>73,792</u>	<u>–</u>

(c) An analysis of the iclub Fortress Hill Hotel rental income is as follows:

	2014 HK\$'000	2013 HK\$'000
Contractual cash rental income	35,262	–
Difference in accounting rental income and contractual cash rental income	1,965	–
	<u>37,227</u>	<u>–</u>

6. REIT MANAGER FEES

	2014 HK\$'000	2013 HK\$'000
Base Fees	72,863	69,602
Variable Fees	29,536	25,696
Acquisition Fees	32,300	—
	<u>134,699</u>	<u>95,298</u>

For the financial year 2014, the REIT Manager elected to receive its Base Fees and Variable Fees in the form of cash.

7. FINANCE COSTS – EXCLUDING DISTRIBUTIONS TO UNITHOLDERS

	2014 HK\$'000	2013 HK\$'000
Total interest expenses on financial liabilities not at fair value through profit or loss:		
Interest expenses on interest-bearing bank borrowings wholly repayable within five years	109,110	106,912
Interest expenses on other borrowings wholly repayable within five years	81,566	55,549
Amortisation of debt establishment costs	19,144	56,377
	<u>209,820</u>	<u>218,838</u>
Fair value changes on derivative financial instruments - cash flow hedges (transfer from hedging reserve)	6,010	6,103
Others	2,002	737
	<u>217,832</u>	<u>225,678</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2014	2013
	HK\$'000	HK\$'000
Charge for the year	73,820	55,925
Overprovision in prior years	(950)	(302)
Deferred	<u>46,429</u>	<u>38,112</u>
Total tax charge for the year	<u><u>119,299</u></u>	<u><u>93,735</u></u>

9. EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The calculation of the basic earnings per Unit attributable to Unitholders is based on the profit for the year before distributions to Unitholders of HK\$238,454,000 (2013: HK\$342,558,000) and the weighted average of 3,257,431,189 Units (2013: 3,257,431,189 Units) in issue during the year. The basic earnings per Unit attributable to Unitholders for the year amounted to HK\$0.073 (2013: HK\$0.105).

The diluted earnings per Unit attributable to Unitholders is the same as the basic earnings per Unit attributable to Unitholders as there were no dilutive instruments in issue during the year.

10. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK\$'000
At 1st January, 2013	740,000
Additions	3,023
Deficit on revaluation	(34,876)
Depreciation provided during the year	<u>(8,147)</u>
At 31st December, 2013 and 1st January, 2014	700,000
Additions	321
Deficit on revaluation	(790)
Depreciation provided during the year	<u>(8,531)</u>
At 31st December, 2014	<u><u>691,000</u></u>

The Group's property, plant and equipment represents the value of land and building together with furniture, fixtures and equipment of iclub Wan Chai Hotel for the hotel portion. The REIT Manager has determined that the property, plant and equipment constitute one class of asset (i.e. hotel property) based on the nature, characteristics and risks of the property. The property, plant and equipment was valued by Savills, an independent professional property valuer and the principal valuer of Regal REIT, at HK\$691,000,000 as at 31st December, 2014. A revaluation deficit of HK\$790,000 resulting from the 31st December, 2014 valuation has been charged to other comprehensive income.

The carrying amount of the Group's property, plant and equipment would have been HK\$419,368,000 had such assets been stated in the consolidated financial statements at cost less accumulated depreciation.

11. INVESTMENT PROPERTIES

	Hotel properties HK\$'000	Commercial properties HK\$'000	Total HK\$'000
At 1st January, 2013	20,130,000	162,000	20,292,000
Fair value changes	(108,749)	18,000	(90,749)
Capital expenditures for the year	178,749	–	178,749
At 31st December, 2013 and 1st January, 2014	20,200,000	180,000	20,380,000
Additions	3,230,000	–	3,230,000
Fair value changes	(284,929)	18,000	(266,929)
Capital expenditures for the year	84,929	–	84,929
At 31st December, 2014	<u>23,230,000</u>	<u>198,000</u>	<u>23,428,000</u>

The Group's investment properties were valued by Savills, an independent professional property valuer and the principal valuer of Regal REIT, at HK\$23,428,000,000 as at 31st December, 2014.

12. ACCOUNTS RECEIVABLE

	2014 HK\$'000	2013 HK\$'000
Difference in accounting rental income and contractual cash rental income	5,456	–
Variable Rent receivables	49,724	53,688
Other accounts receivable	<u>1,277</u>	<u>1,209</u>
	<u><u>56,457</u></u>	<u><u>54,897</u></u>

The difference in accounting rental income and contractual cash rental income is recognised as revenue in the consolidated statement of profit or loss on the straight-line basis over the lease term in accordance with the Group's accounting policy.

The Group's accounts receivable as at the end of the reporting period, based on invoice dates, are due within 3 months. The Group has no accounts receivable that are past due at the end of the reporting period.

The Variable Rent receivables represent amounts due from a related company which are unsecured, interest-free and repayable within one year in accordance with the terms of the respective agreements.

The general credit terms for other accounts receivable are 30 days. The Group seeks to maintain control over the outstanding receivables and to minimise any credit risk associated with the receivables.

13. ACCOUNTS PAYABLE

	2014 HK\$'000	2013 HK\$'000
Amounts due to related companies	93,917	131,792
Other accounts payable	<u>375</u>	<u>144</u>
	<u><u>94,292</u></u>	<u><u>131,936</u></u>

The amounts due to related companies are unsecured, interest-free and repayable on demand. Other accounts payable are unsecured, non interest-bearing and are normally settled within 90 days.

The Group's accounts payable as at the end of the reporting period, based on invoice dates, are all due within 3 months.

14. OTHER BORROWINGS

	2014 HK\$'000	2013 HK\$'000
Other borrowings repayable in the third to fifth years, inclusive, at nominal amount	1,938,550	1,938,250
Discount and issue costs	<u>(11,946)</u>	<u>(15,530)</u>
	<u><u>1,926,604</u></u>	<u><u>1,922,720</u></u>

Subsequent to the establishment and listing of the US\$1.0 billion MTN Programme, in March 2013, a series of unsecured 5-year term notes for an aggregate amount of HK\$775.0 million at a coupon interest rate of 4.125% per annum were issued. The notes were issued at 99.44% of the nominal amount after discount. In May 2013, another series of unsecured 5-year term notes for an aggregate amount of US\$150.0 million at a coupon interest rate of 4.10% per annum were issued. The notes were issued at 99.553% of the nominal amount after discount.

15. NUMBER OF UNITS IN ISSUE

	Number of Units	
	2014	2013
At beginning and end of the year	<u><u>3,257,431,189</u></u>	<u><u>3,257,431,189</u></u>

16. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per Unit attributable to Unitholders is calculated by dividing the net assets attributable to Unitholders as at 31st December, 2014 of HK\$15,502,570,000 (2013: HK\$15,774,136,000) by the number of Units in issue of 3,257,431,189 (2013: 3,257,431,189) as at that date.

17. DEFERRED TAX

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

	Fair value adjustments arising from revaluation of property, plant and equipment HK\$'000	Depreciation allowances in excess of related depreciation HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Total HK\$'000
Gross deferred tax assets/(liabilities) at 1st January, 2013	(51,607)	(326,783)	6,979	(371,411)
Deferred tax credited to other comprehensive income during the year	5,755	–	–	5,755
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	449	(37,719)	(842)	(38,112)
Gross deferred tax assets/(liabilities) at 31st December, 2013	<u>(45,403)</u>	<u>(364,502)</u>	<u>6,137</u>	<u>(403,768)</u>
Gross deferred tax assets/(liabilities) at 1st January, 2014	(45,403)	(364,502)	6,137	(403,768)
Deferred tax credited to other comprehensive income during the year	131	–	–	131
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	454	(52,095)	5,212	(46,429)
Gross deferred tax assets/(liabilities) at 31st December, 2014	<u>(44,818)</u>	<u>(416,597)</u>	<u>11,349</u>	<u>(450,066)</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

18. ACQUISITIONS OF INVESTMENT PROPERTIES

Pursuant to the share purchase agreement entered into between Regal REIT and P&R Holdings, Regal REIT completed the acquisition of a new hotel, iclub Sheung Wan Hotel, on 10th February, 2014 at a total consideration of HK\$1,581.1 million, comprised of the purchase price of HK\$1,580.0 million and a current assets adjustment of HK\$1.1 million. Such consideration was settled by: (a) applying the deposit of HK\$948.0 million; (b) drawing down the term loan of HK\$632.0 million under the 2014 SW Facilities; and (c) using Regal REIT's internal resources in the amount of HK\$1.1 million.

Pursuant to the option agreement entered into between Regal REIT and P&R Holdings, Regal REIT completed the acquisition of another new hotel, iclub Fortress Hill Hotel, on 28th July, 2014 at a total consideration of HK\$1,651.4 million, comprised of the final exercise price of HK\$1,650.0 million and a current assets adjustment of HK\$1.4 million. The consideration was settled by: (a) applying the refundable cash collateral of HK\$990.0 million; (b) drawing down the new term loan of HK\$660.0 million under the 2014 FH Facilities; and (c) using Regal REIT's internal resources in the amount of HK\$1.4 million.

EMPLOYEES

Regal REIT is managed by the REIT Manager and DB Trustees (Hong Kong) Limited as the trustee. By contracting out such services, Regal REIT does not employ any staff in its own right.

NEW UNITS ISSUED

There were no new Units issued during the year.

BUY-BACK, SALE OR REDEMPTION OF UNITS

There were no buys-back, sales or redemptions of Units during the year.

CORPORATE GOVERNANCE

The REIT Manager has adopted a compliance manual (the "**Compliance Manual**") which sets out the key processes, systems and policies and procedures to guide operations and, thereby, set a high standard of corporate governance to ensure the relevant regulations and legislation are adhered to.

For the year ended 31st December, 2014, Regal REIT and the REIT Manager have complied with the provisions of the Compliance Manual.

PUBLIC FLOAT

As at 31st December, 2014, based on the information that is publicly available to the REIT Manager and as reported to the Directors of the REIT Manager, more than 25% of the issued and outstanding Units were held by independent public Unitholders.

REVIEW OF RESULTS

The Disclosure Committee and the Audit Committee of the REIT Manager have reviewed Regal REIT's consolidated financial statements for the year ended 31st December, 2014, including the accounting principles and practices adopted by Regal REIT, in conjunction with the external auditors of Regal REIT.

ISSUANCE OF ANNUAL REPORT

The Annual Report of Regal REIT for the year ended 31st December, 2014 is expected to be despatched to Unitholders on or about 14th April, 2015.

ANNUAL GENERAL MEETING

An Annual General Meeting of Regal REIT will be convened on Monday, 18th May, 2015. The Notice of the Annual General Meeting will be published and sent to the Unitholders, together with the 2014 Annual Report of Regal REIT, in due course.

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

Hong Kong, 24th March, 2015

As at the date of this announcement, the Board of Directors of the REIT Manager comprises Mr. LO Yuk Sui as Chairman and Non-executive Director; Miss LO Po Man as Vice Chairman and Non-executive Director; Mr. Johnny CHEN Sing Hing and Mr. Simon LAM Man Lim as Executive Directors; Mr. Donald FAN Tung, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai as Non-executive Directors; and Mr. John William CRAWFORD, JP, Mr. Alvin Leslie LAM Kwing Wai, Mr. Kai Ole RINGENSON and Hon. Abraham SHEK Lai Him, GBS, JP as Independent Non-executive Directors.