



REGAL REIT  
富豪產業信託

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)

2012

INTERIM REPORT



Managed by



富豪資產管理有限公司  
Regal Portfolio  
Management Limited

REGAL ORIENTAL HOTEL

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# CORPORATE INFORMATION

## MANAGER OF REGAL REIT

Regal Portfolio Management Limited  
(the "REIT Manager")

## DIRECTORS OF THE REIT MANAGER

### *Non-executive Directors*

Lo Yuk Sui (Chairman)  
Donald Fan Tung  
Jimmy Lo Chun To  
Kai Ole Ringenson

### *Executive Directors*

Francis Chiu  
Simon Lam Man Lim

### *Independent Non-executive Directors*

John William Crawford, JP  
Alvin Leslie Lam Kwing Wai  
Abraham Shek Lai Him, SBS, JP

## AUDIT COMMITTEE OF THE REIT MANAGER

John William Crawford, JP (Chairman)  
Kai Ole Ringenson  
Alvin Leslie Lam Kwing Wai  
Abraham Shek Lai Him, SBS, JP

## SECRETARY OF THE REIT MANAGER

Peony Choi Ka Ka

## TRUSTEE OF REGAL REIT

DB Trustees (Hong Kong) Limited (the "Trustee")

## AUDITORS OF REGAL REIT

Ernst & Young

## PRINCIPAL VALUER

Colliers International (Hong Kong) Limited

## PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited  
The Bank of East Asia, Limited  
Cathay United Bank Company, Limited, Hong Kong Branch  
Chinatrust Commercial Bank, Limited  
China Construction Bank (Asia) Corporation Limited  
China Construction Bank Corporation, Hong Kong Branch  
Credit Agricole Corporate & Investment Bank  
Hang Seng Bank Limited  
Mega International Commercial Bank Company Limited  
Oversea-Chinese Banking Corporation Limited,  
Hong Kong Branch  
Sumitomo Mitsui Banking Corporation  
Taiwan Cooperative Bank, Ltd., Hong Kong Branch  
United Overseas Bank Limited

## LEGAL ADVISORS

Baker & McKenzie

## UNIT REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Wan Chai,  
Hong Kong.

## REGISTERED OFFICE OF THE REIT MANAGER

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Dear Unitholders,

I am pleased to present, on behalf of the Board of Directors of Regal Portfolio Management Limited as the REIT Manager, the 2012 Interim Report of Regal Real Estate Investment Trust.

For the six months ended 30th June, 2012, Regal REIT attained an unaudited consolidated net profit before distribution to Unitholders of HK\$675.2 million, as compared to the profit of HK\$1,957.6 million recorded in the corresponding period in 2011. Based on the market valuation conducted as at 30th June, 2012, there was an increase of HK\$446.6 million in the fair value of Regal REIT's investment properties portfolio and reflected in the results under review, while for the corresponding period last year, a gain of HK\$1,782.6 million was recorded in respect of such fair value changes.

Total distributable income for the Interim Period amounted to HK\$221.8 million, an increase of 18.9% over the HK\$186.5 million attained for the same period last year, which was equivalent to HK\$0.068 per Unit. Based on Regal REIT's policy of distributing no less than 90% of the distributable income, the Directors of the REIT Manager have declared an interim distribution of HK\$0.063 per Unit for the six months ended 30th June, 2012 which represents an increase of 10.5% over the interim distribution of HK\$0.057 per Unit in 2011 and a distribution ratio of approximately 92.5% for the Interim Period.

During the first half of 2012, the global economic recovery has shown signs of further weakness and the sovereign debt crisis in the Euro zone remains unresolved and continues to cast uncertainty on the international financial markets. In the United States, medium term fiscal plans were being developed to keep up growth momentum and the emerging economies were coping with trade declines and volatility in capital flows. On the whole, global growth is projected to slow down to 3.5% in 2012 as compared with 3.9% in 2011. For the developing Asia, the economic prospects were also impacted by their global counterparts, with Gross Domestic Product (GDP) growth projected to slow down to 6.6% in 2012 (2011: 7.2%), while China's GDP growth is anticipated to moderate to around 8.2% in 2012 (2011: 9.2%).

In 2012, Hong Kong's GDP growth is forecasted to grow by 1 to 2% in real terms, barring any further adverse changes in the world financial markets. Hong Kong's exports and its overall economy might see modest improvements, as the Mainland economy is expected to regain some momentum.

In spite of the challenging global economic environment, the total number of tourist arrivals to Hong Kong for the period under review hit another historical record of 22.3 million, a year-on-year increase of 15.5% (1H2011: 19.3 million). China's visitors reached 15.6 million in 1H2012 (1H2011: 12.7 million), an increase of 22.7%, and accounted for 69.8% of the total visitor count (1H2011: 65.7%). The continued growth in the tourism sector in Hong Kong could be attributable to the relatively strong growth in China's GDP of 7.8% during the first half of 2012, as the world's second largest economy, and China's continuing policy to liberalize overseas travel restrictions for Mainland residents through CEPA and the like.

During the period under review, the results of the five Initial Hotels in Hong Kong leased to the RHHL group continued to enjoy steady progress. The combined average occupancy rate for these five hotels was 87.5%, which was in line with the industry average, and average room rate improved by 15.5% over the same comparative period.

The prevailing base rent for the lease of the Initial Hotels for 2012 is HK\$645.0 million, with equal sharing on the excess of their aggregate net property income over the annual base rent. The aggregate net property income of these five hotels for the first six months of this year amounted to HK\$406.1 million, which represented a year-on-year increase of 13.4% and exceeded the prorated base rent by HK\$83.6 million, 50% of which will be attributable to Regal REIT as variable rent. As the latter part of the year is traditionally the higher season, the net property income excess for the second half of 2012 is anticipated to surpass that attained in the first half.

The Regal iClub Hotel in Wanchai, the sixth Regal Hotel in Hong Kong that is owned and operated by the Group under a management contract with the RHIHL Group, has likewise continued to perform very satisfactorily. For the first half of 2012, the hotel recorded a high average occupancy of 96.7%, as compared to 93.3% for the same period last year. The average achieved room rate has also improved by 11.2% over the same period, resulting in a year-on-year increase of 15.2% in the revenue per available room (RevPAR).

The hotel property portfolio of Regal REIT has an aggregate of 3,929 hotel guestrooms and suites. The total valuation of the portfolio amounted to HK\$18,257.0 million as at 30th June, 2012, representing an increase of 2.7% as compared to HK\$17,769.0 million as at 31st December, 2011.

For the years 2011 to 2015, the market rental packages for the Initial Hotels are subject to annual rent reviews to be determined by an independent professional property valuer to be jointly appointed by the Lessors and the Lessee. The same independent professional property valuer, who determined the Market Rental Reviews for 2011 and 2012, was jointly appointed in June 2012 to carry out the rental review process for 2013. This rental review exercise has recently been concluded and the annual base rent for 2013 has been determined to be HK\$734.0 million, representing an increase of 13.8% over the annual base rent of HK\$645.0 million for 2012, with the variable rent being retained at 50% of the aggregate net property income excess. Full details of the 2013 Market Rental Package are contained in a separate announcement released by the REIT Manager as of the date of this report.

With the objective to maintaining the high quality and standards of the properties, the guestrooms, banqueting and other facilities in the five Initial Hotels are renovated and upgraded from time to time as an ongoing process. During the period under review, a total of around 300 guestrooms and suites within the portfolio are being upgraded under ongoing asset enhancement programmes. Moreover, Regal REIT is also working closely with the Hotel Manager in a programme to replace and upgrade a centralised property management system for all the six Regal Hotels in Hong Kong, with a view to enhancing internet connectivity and operational efficiency.

In the meantime, the conversion of the food and beverage areas on the 14th floor of Regal Oriental Hotel into 27 guestroom units is underway, which is projected to be completed by the end of 2012. In addition, certain food and beverage areas on the 2nd floor of Regal Oriental Hotel are also planned to be converted into another 28 guestrooms, scheduled to be completed during the first half of 2013. Upon completion of these conversion programmes, there will be 494 guestrooms in Regal Oriental Hotel and the total number of hotel guestrooms and suites in Regal REIT's hotel portfolio will increase from the current 3,929 units to 3,984 units, representing an increase of 1.4% in its guestroom inventory.

Hong Kong has committed to a number of significant infrastructural development projects including, more notably, the expansion of the Hong Kong International Airport into a Three-Runway System, the commencement of the Hong Kong side bridge link road for the Hongkong-Zhuhai-Macao Bridge, the development of the Western Kowloon Cultural District into a cultural hub, the construction of the Kai Tak International Cruise Terminal as a regional cruise hub and the energizing of Kowloon East as a second Central Business District. Other new tourist attractions are offered by innovative additions to Ocean Park and Hong Kong Disneyland, which should encourage leisure seekers and tourists to visit Hong Kong more frequently. All these developments will strengthen Hong Kong's position as a global aviation hub and tourist destination and will also foster closer integration with the cities in the fast growing Pearl River Delta. These will in the medium to long term increase momentum on the growth of the tourism and hotel industries in Hong Kong and provide positive catalysts for the businesses of Regal REIT's portfolio of hotels, which are located in different core districts and cater to different market segments.

The Directors are optimistic that the tourism and hotel industries in Hong Kong will further prosper which will, in turn, positively benefit Regal REIT to grow its future capital value and profit earnings. Regal REIT will also continue to actively seek appropriate acquisition opportunities to expand its investment portfolio in the upcoming years.

**Lo Yuk Sui**

*Chairman*

**Regal Portfolio Management Limited**

(as the REIT Manager of Regal REIT)

Hong Kong, 27th August, 2012

# MANAGEMENT DISCUSSION AND ANALYSIS

The Directors of the REIT Manager are pleased to report the unaudited interim results of Regal Real Estate Investment Trust ("Regal REIT") and its subsidiaries (collectively, the "Group") for the six-month period from 1st January, 2012 to 30th June, 2012 (the "Interim Period").

## LONG-TERM OBJECTIVES AND VISION OF REGAL REIT

The primary objectives of Regal REIT and the REIT Manager are to provide long-term stable, growing distributions and capital growth for the unitholders of Regal REIT (the "Unitholders") through active ownership of hotels and strategic investments in hotels, serviced apartments and/or commercial properties (including office properties).

The vision of Regal REIT and the REIT Manager is to build up the existing portfolio of properties comprising Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel (collectively, the "Initial Hotels") and Regal iClub Hotel in Hong Kong and to be a pre-eminent owner of quality international hotels and other properties as well as to reinforce Regal REIT's status as a growing attractive option to investors.

## THE REIT MANAGER, THE RHIHL LESSEE, THE HOTEL MANAGER AND THE TRUSTEE

The REIT Manager is licenced by the Securities and Futures Commission in Hong Kong (the "SFC") to undertake the regulated activity of asset management. The REIT Manager does not manage the Initial Hotels or Regal iClub Hotel directly.

The current leases of the Initial Hotels to a wholly-owned subsidiary of Regal Hotels International Holdings Limited ("RHIHL", together with its subsidiaries, the "RHIHL Group") will last until 31st December, 2015 under the relevant lease agreements (the "RHIHL Lease Agreements"). For the years 2011 to 2015, the rental packages of the Initial Hotels will be determined on a yearly basis by a jointly appointed independent professional property valuer (expenses to be split equally between Favour Link International Limited (the "RHIHL Lessee") and Regal REIT). The determinations will include the amount of market rents (inclusive of the amount of base rent (the "Base Rent") for each Initial Hotel, the variable rent (the "Variable Rent") sharing percentage and the RHIHL Lessee's contribution to the furniture, fixtures and equipment reserve (the "FF&E Reserve") calculated as a percentage of total hotel revenue) to be applied for each of the Initial Hotels for the relevant respective years from 2011 to 2015, together with the amount of the security deposit required (collectively, the "Market Rental Package").

Regal Hotels International Limited, a wholly-owned subsidiary of RHIHL, was appointed as the hotel manager (the "Hotel Manager") under long-term hotel management agreements to operate the Initial Hotels (the "Initial Hotels Management Agreements") for a term of 20 years from 16th March, 2007. In December 2010, Regal REIT entered into another hotel management agreement with the Hotel Manager for the operation of the hotel portion of Regal iClub Hotel for a term of 10 years from 1st January, 2011 to 31st December, 2020 (the "iClub Hotel Management Agreement"). Since 1st January, 2011, the operating results of the Regal iClub Hotel have been accounted for directly by Regal REIT.

The trustee of Regal REIT (the "Trustee") is DB Trustees (Hong Kong) Limited, a wholly-owned subsidiary of Deutsche Bank AG. The Trustee is qualified to act as trustee for collective investment schemes authorised under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). In this role, the Trustee holds the assets of Regal REIT in trust for the benefit of the Unitholders as a whole and oversees the activities of the REIT Manager for compliance with the trust deed constituting Regal REIT on 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) (collectively, the "Trust Deed") and all regulatory requirements.

## RENTAL AND REVENUE STRUCTURE

### Initial Hotels - Rental Structure and Market Rental Package

#### *Market Rental Package for 2012*

Mr. David Faulkner, as an independent professional property valuer, was jointly appointed in June 2011 to conduct a rent review for the Initial Hotels for the year 2012. According to the determination of the Market Rental Package for the year 2012, the aggregate amount payable by the RHIHL Lessee as Base Rent for the Initial Hotels was determined to be HK\$645.0 million with Variable Rent calculated based on a sharing of 50% of the excess of the aggregate net property income ("NPI") of the five Initial Hotels over the aggregate Base Rent from the operations thereof in 2012. According to the Market Rental Package for 2012, no FF&E Reserve is required to be contributed by the RHIHL Lessee and the obligation for such contribution rests with Regal REIT. The RHIHL Lessee has provided a third party guarantee as a security deposit for an amount of HK\$322.5 million, which is equivalent to six months' Base Rent for the year 2012, issued by a licensed bank in Hong Kong. Details of the Market Rental Package for 2012 can be referred to in an announcement published on 9th September, 2011.

#### *Base Rent*

Regal REIT receives Base Rent in the form of cash for each Initial Hotel on a monthly basis. During the Interim Period, Regal REIT received an aggregate of HK\$322.5 million cash Base Rent for the first six months of 2012.

#### *Variable Rent*

Regal REIT received Variable Rent through the sharing of aggregate profits from the Initial Hotels' operations over the Base Rent payments. During the Interim Period, as the NPI from hotel operations of the Initial Hotels was HK\$406.1 million, Variable Rent amounted to HK\$41.8 million, based on 50% sharing of the excess of NPI over the Base Rent according to the Market Rental Package for 2012.

#### *Rent Review of Market Rental Package for 2013*

Pursuant to the RHIHL Lease Agreements, an independent professional property valuer is jointly appointed to conduct annual rent review for the Initial Hotels, with the related expenses to be split equally between the RHIHL Lessee and Regal REIT. Mr. David Faulkner, who determined the Market Rental Packages for 2011 and 2012, was jointly appointed in June 2012 to carry out the rental review process for 2013. This rental review exercise has recently been concluded and the annual Base Rent for 2013 has been determined to be HK\$734.0 million, representing an increase of 13.8% over the annual Base Rent of HK\$645.0 million for 2012, with the Variable Rent being retained at 50% of the aggregate NPI excess. Full details of the Market Rental Package for 2013 are contained in a separate announcement released by the REIT Manager on 27th August, 2012.

## **Regal iClub Hotel - Revenue Structure**

### ***Hotel Portion***

For the six months ended 30th June, 2012, Regal iClub Hotel - Hotel portion contributed gross hotel revenue of HK\$22.2 million and incurred operating costs and expenses amounting to HK\$8.8 million.

### ***Other Portions***

Regal iClub Hotel - Other portions, comprising a portion of the ground floor and the 27th to 29th floors of the premises, are let out to independent third parties which generated rental income of HK\$2.3 million for the period under review.

## **Furniture, Fixtures & Equipment Reserve**

Regal REIT is obligated under the respective RHHL Lease Agreements and iClub Hotel Management Agreement to maintain a reserve to fund expenditures for replacements of furniture, fixtures and equipment in the Initial Hotels and Regal iClub Hotel - Hotel portion, respectively. To maintain this reserve, Regal REIT contributes an amount equal to 2% of the total hotel revenue (i.e. the total of room revenue, food and beverage revenue and other income in the hotel operations) for previous months. During the Interim Period, HK\$36.0 million had been contributed to the reserve, which includes an additional contribution of HK\$18.0 million set aside in the FF&E Reserve, pursuant to the provisions in the Trust Deed in relation to the determination of total distributable income, as approved by the REIT Manager on 27th August, 2012 and HK\$16.3 million has been expended to date for the purposes intended.

## **REVIEW OF OPERATIONS AND FINANCIAL RESULTS**

The results of the Group for the Interim Period are set out in the condensed consolidated interim financial statements on pages 25 to 49.

## Hotel Industry Conditions in Hong Kong

### Visitor Arrivals to Hong Kong, 1H 2012 versus 1H 2011<sup>1</sup>

Visitors to Hong Kong by Geographical Regions	1H 2012 (Percentage of total visitors)	1H 2012 (No. of visitors)	1H 2011 (No. of visitors)	Variance (No. of visitors)	Variance (%)
Mainland China	69.8	15,582,767	12,697,366	2,885,401	22.7
South & Southeast Asia	8.1	1,800,950	1,787,617	13,333	0.7
North Asia	5.3	1,180,753	1,096,571	84,182	7.7
Taiwan	4.5	993,538	1,053,701	(60,163)	(5.7)
Europe, Africa & the Middle East	4.9	1,102,598	1,054,228	48,370	4.6
The Americas	4.0	898,946	886,383	12,563	1.4
Australia, New Zealand & South Pacific	1.7	369,754	370,734	(980)	(0.3)
Macao SAR	1.8	393,448	384,581	8,867	2.3
Total	(rounded) 100.0	22,322,754	19,331,181	2,991,573	15.5

The positive growth trend of tourist arrivals from the booming year in 2011 extended to the first half of 2012. Hong Kong's tourism continued to exhibit sustainable growth despite challenging external economic conditions. Hong Kong recorded 22.3 million visitor arrivals during the first half of 2012, which represented a 15.5% increase as compared with the same period last year.

The strong tourist arrivals from China amounted to 15.6 million visitors, indicating a remarkable growth of 22.7% as compared with the preceding period under review. Mainland visitor arrivals broke another record and accounted for 69.8% of the total number of visitors arriving Hong Kong during the first half of 2012.

For short-haul markets, arrivals from other Asian regions (including North Asia, South & Southeast Asia and Taiwan) recorded a slight growth of 0.9% and sustained at a level of 4.0 million visitors. This demonstrated that Hong Kong is still a leading leisure destination for Asian travellers. At the same time, visitor arrivals from Japan have gone up by 8.3% to 0.6 million which showed a slight rebound.

Visitors from long-haul markets have been steady and improved overall. Visitor arrivals were driven by a slight increase in demand from the Americas, growing 1.4% to 0.9 million in 2012 and taking up 4.0% of the aggregate arrivals. Visitors from Europe, Africa and the Middle East saw a 4.6% increase in arrivals and reaching 1.1 million and accounting for 4.9% of the total.

<sup>1</sup> Source: Research, Hong Kong Tourism Board, "Visitor Arrival Statistics – Jun 2012", July 2012; the REIT Manager.

## Review of Hotel Rooms Supply in Hong Kong 1H 2012

As of the end of first quarter of 2012, Hong Kong's hotel room supply went up by 1,614 from 61,828 to 63,442 rooms, showing a modest increase by 2.6%. During the period, the number of hotel properties in Hong Kong increased from 184 to 196, contributing a gain of 6.5%. Looking ahead to the balance of 2012, 26 new hotels are planned to open in Hong Kong, bringing an extra 5,944 rooms and boosting the hotel room supply by 9.4%. In turn, the total hotel room supply will amount to 69,386 by the end of 2012<sup>2</sup>.

## Industry Performance

### Room Occupancy Rates, Average Room Rates and RevPAR (Revenue per available room)

Category	Hong Kong Hotel Market Performance (1H 2012 versus 1H 2011) <sup>3</sup>					
	Room Occupancy Rates		Average Room Rates		RevPAR	
	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011
	%	%	HK\$	HK\$	HK\$	HK\$
High Tariff A	<b>82</b>	83	<b>2,423</b>	2,164	<b>1,987</b>	1,796
High Tariff B	<b>89</b>	89	<b>1,186</b>	1,054	<b>1,056</b>	938
Medium Tariff	<b>91</b>	91	<b>730</b>	656	<b>664</b>	597
All Hotels	<b>87</b>	88	<b>1,446</b>	1,291	<b>1,258</b>	1,136

During the first half of 2012, all hotels in Hong Kong maintained an average occupancy rate of 87%, with a slight decline of 1 percentage point versus the same period last year. On the other hand, the average room rate leaped by HK\$155 per night and grew by 12.0%. These factors contributed to the growth in RevPAR by HK\$122 or 10.7% year-on-year.

The slight drop in room occupancy rate may be accounted for by the addition of the 1,614 new rooms to the territory's overall supply during this period. However, between 2013 and 2016, only an estimated 2,000 new rooms are to be added to the market<sup>2</sup>, which is relatively healthy with the foreseeable growth in the number of tourists per annum. With the proposed renewal and addition of new features in the two theme parks in Hong Kong currently, this should encourage more repeat and return visitors to Hong Kong subsequently.

<sup>2</sup> Source: Research, Hong Kong Tourism Board, "Hotel Supply Situation - as at Mar 2012", April 2012; "Hotel Supply Situation - as at Jun 2011", August 2011; the REIT Manager.

<sup>3</sup> Source: Research, Hong Kong Tourism Board, "Hotel Room Occupancy Report - Jun 2012", July 2012; the REIT Manager.

## Performance Highlights of Regal REIT

Regal REIT currently has an aggregate of 3,929 guestrooms and suites with six hotel properties. The total property valuation of Regal REIT amounted to HK\$18,257.0 million as at 30th June, 2012, representing an increase of about 2.7% as compared to the valuation of HK\$17,769.0 million as at 31st December, 2011.

Overall, the properties portfolio of Regal REIT performed very well, as indicated by comparison with the first half of 2011 as set out below.

## Performance of the Initial Hotels

### *Total Hotel Revenue, Gross Operating Profit and Net Property Income* For the Initial Hotels for 1H 2012 versus 1H 2011

	1H 2012 (HK\$'million)	1H 2011 (HK\$'million)	Variance (HK\$'million)	Variance (%)
<b>Operating Results</b>				
Room revenue	610.7	535.4	75.3	14.1
Food and beverage revenue	243.4	208.0	35.4	17.0
Other income	23.0	22.1	0.9	4.1
Total hotel revenue	877.1	765.5	111.6	14.6
Operating expenses	(454.7)	(392.5)	(62.2)	15.8
Gross operating profit	422.4	373.0	49.4	13.2
Other expenses	(29.0)	(26.9)	(2.1)	7.8
Net rental income	12.7	12.1	0.6	5.0
Net property income	406.1	358.2	47.9	13.4
<b>Statistics</b>				
Average room rate	HK\$1,001.17	HK\$866.58	HK\$134.59	15.5
Occupancy rate	87.5%	89.1%	(1.6%)	(1.8)
RevPAR	HK\$876.09	HK\$772.29	HK\$103.80	13.4
Total available room nights	697,060	693,230	3,830	0.6
Occupied room nights	609,969	617,804	(7,835)	(1.3)

During the period under review, the results of the five Initial Hotels in Hong Kong leased to the RHIHL Group continued to enjoy steady progress. Total hotel revenue of the Initial Hotels rose from HK\$765.5 million to HK\$877.1 million, representing an increase of 14.6% as compared with the same period last year. Gross operating profit increased by HK\$49.4 million from HK\$373.0 million to HK\$422.4 million during the same period last year. Likewise, net property income reported an increase of HK\$47.9 million from HK\$358.2 million to HK\$406.1 million, or 13.4% higher on a year-on-year basis.

During the Interim Period, all five Initial Hotels achieved satisfactory growth in Room revenue as market demand for hotel rooms remained strong in the overall resilient hotel and tourism market in Hong Kong. In line with Room revenue, Food and Beverage revenue for the Initial Hotels also rose by 17.0%. This was attributable to the increase traffic and to the upgraded facilities including the renovation of ballrooms, functions rooms and dining facilities which drove the increasing demand for event bookings and visitors' stay at the Initial Hotels.

The Initial Hotels occupancy rate was 87.5%, reflecting a slight decrease of 1.6 percentage points from 89.1% for the corresponding period in 2011. The average room rate climbed up by HK\$134.59 to HK\$1,001.17, as compared with HK\$866.58 in 2011. The RevPAR reached HK\$876.09 in the first half of 2012, or an increase of 13.4% as compared with RevPAR of HK\$772.29 in the first half of 2011.

### **Performance of Regal iClub Hotel**

Regal iClub Hotel achieved an occupancy rate of over 96% and the average room rate of over HK\$1,260, demonstrating an improvement of over 11% as compared with the same period last year. The increases in occupancy rate and average room rate resulted in a rise in RevPAR of Regal iClub Hotel exceeding HK\$160, and the RevPAR achieved was approximately HK\$1,220 during the first half of 2012.

### **Net Rental and Hotel Income**

An analysis of the net rental and hotel income for the Interim Period compared to the corresponding period in 2011 is set out below.

	<b>1st January, 2012 to 30th June, 2012</b>	<b>%</b>	<b>1st January, 2011 to 30th June, 2011</b>
	<b>HK\$'million</b>		<b>HK\$'million</b>
Base Rent			
Cash Base Rent	<b>322.5</b>	<b>82.0</b>	280.0
Cash additional Base Rent	—	—	1.1
Variable Rent	<b>41.8</b>	<b>10.6</b>	39.1
Other rental income	<b>4.6</b>	<b>1.2</b>	4.4
Regal iClub Hotel			
Gross hotel revenue	<b>22.2</b>	<b>5.6</b>	19.5
Rental income	<b>2.3</b>	<b>0.6</b>	2.3
Gross rental and hotel revenue	<b>393.4</b>	<b>100.0</b>	346.4
Property operating expenses	<b>(5.7)</b>	<b>(1.5)</b>	(5.6)
Hotel operating expenses	<b>(8.8)</b>	<b>(2.2)</b>	(7.5)
Net rental and hotel income	<b>378.9</b>	<b>96.3</b>	333.3

During the Interim Period, net rental and hotel income represented 96.3% of the gross rental and hotel revenue after the deduction of property and hotel operating expenses. The property management of Regal REIT is handled by the hotel manager under the relevant hotel management agreements with respect to the Initial Hotels and Regal iClub Hotel – Hotel portion.

### ***Distributable Income and Distribution Policy***

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 the minimum amount of no less than 90% of Regal REIT's total distributable income for each financial year. The amount of any distribution for the Interim Period of each financial year is at the discretion of the REIT Manager.

The unaudited distributable income for the Interim Period amounted to HK\$221.8 million, representing an approximate HK\$0.068 per Unit entitlement to the interim distribution.

### ***Interim Distribution for 2012***

The Directors of the REIT Manager have resolved to declare a distribution of HK\$0.063 per Unit for the Interim Period. The interim distribution will be payable to Unitholders on the Register of Unitholders on 14th September, 2012.

### ***Closure of Register of Unitholders***

The Register of Unitholders will be closed from Wednesday, 12th September, 2012 to Friday, 14th September, 2012, both days inclusive, during which period no transfers of Units will be effected. In order to qualify for the interim distribution for 2012, all unit certificates with completed transfer forms must be lodged with Regal REIT's unit registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Tuesday, 11th September, 2012. The relevant distribution warrants are expected to be despatched on or about 10th October, 2012.

### **Valuation of the Properties Portfolio**

As at 30th June, 2012, Regal REIT's overall properties portfolio, comprised of the Initial Hotels and other portions of Regal iClub Hotel that were classified as investment properties and the owner-occupied hotel portion of Regal iClub Hotel that was classified as property, plant and equipment, was valued at HK\$18,257.0 million, as compared to the valuation of HK\$17,769.0 million as at 31st December, 2011.

The valuation of the properties portfolio as at 30th June, 2012 was conducted by Colliers International (Hong Kong) Limited ("Colliers"), the principal valuer of Regal REIT appointed by the Trustee according to the provisions of the REIT Code.

Colliers, an independent professional property valuer, assessed the market values of the properties portfolio subject to the lease agreements, hotel operations and the hotel management agreements and in accordance with the "HKIS Valuation Standards on Properties (First Edition 2005)", the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Code on Real Estate Investment Trusts (the "REIT Code"). Colliers used the discounted cash flow ("DCF") method based on key assumptions such as hotel room occupancies, hotel average room rates, terminal capitalisation rates and discount rates. The direct comparison method was also used as a check on the valuation arrived at from the DCF method.

### **Initial Hotels**

As at 30th June, 2012, the aggregate fair value of the five Initial Hotel properties was HK\$17,470.0 million, as compared to the valuation of HK\$17,010.0 million as at 31st December, 2011.

### **Regal iClub Hotel**

As at 30th June, 2012, the aggregate fair value of Regal iClub Hotel, comprised of the investment property of the other portions and the property, plant and equipment of the hotel portion of the Regal iClub Hotel respectively, was HK\$787.0 million, as compared to the valuation of HK\$759.0 million as at 31st December, 2011. The fair value of the property was derived using the DCF method as outlined above. The revaluation model was also adopted for the property, plant and equipment to ensure Regal REIT fully complied with the REIT Code in respect of valuing all its real estate held under the scheme.

In the unaudited financial statements herein presented, aggregate depreciation provided for the period under review amounting to approximately HK\$2.5 million has been charged to the income statement for the Interim Period in accordance with HKAS 16 *Property, Plant and Equipment*, but this has no actual impact on the operating cash flows.

### **Net Asset Value**

As at 30th June, 2012, the net asset value (the "NAV") per Unit attributable to Unitholders amounted to HK\$4.044, as compared to HK\$3.884 per Unit as at 31st December, 2011. The increase of 4.1% was mainly attributable to the increase in the fair values of Regal REIT's investment properties portfolio during the Interim Period.

### **Capital Additions Projects**

During the period under review, around 300 guestrooms, representing over 7.6% of the total portfolio of 3,929 guestrooms and suites, are being renovated to enhance capital value and market competitiveness.

Regal Oriental Hotel is taking steps to convert certain of its dining space on its 14th floor and 2nd floor into guestrooms. This project is targeted to be completed by the first half of 2013, resulting an addition of 55 guestrooms. Upon completion, the total number of hotel guestrooms and suites in the Regal REIT portfolio will increase from the current 3,929 units to 3,984 units, representing an increase of 1.4%.

### **Financial Review and Financing Strategy**

At 30th June, 2012, Regal REIT had loan facilities aggregating HK\$4,840.0 million comprised of a term loan of HK\$4,500.0 million secured by the Initial Hotels and a loan facility of HK\$340.0 million secured by the Regal iClub Hotel.

### ***Financing for the Initial Hotels***

On 7th March, 2012, Regal REIT, through its wholly-owned subsidiaries, namely Bauhinia Hotels Limited and Rich Day Investments Limited as the borrowers, entered into an agreement in respect of a new facility of HK\$4,500.0 million (the "New Term Loan Facility") for a term of three years, secured by the Initial Hotels, which bears interests at 2.10% above the Hong Kong Interbank Offered Rates ("HIBOR"). The principal amount of the New Term Loan Facility was fully drawn down on 30th March, 2012 to repay the previous term loan facility expiring on the same date. The hedging arrangements for an aggregate notional principal amount of HK\$4,350.0 million, subject to a floor rate of 3.80% per annum, expired on 18th January, 2012.

Subsequent to the end of the Interim Period, on 18th July, 2012, Regal REIT entered into a new hedging arrangement with a banking corporation for a notional principal amount of HK\$1,400.0 million, effective from 30th July, 2012 to the expiry date of the New Term Loan Facility, pursuant to which the Regal REIT group receives floating rate interest of 1-month HIBOR and pays interest quarterly at a fixed rate of 0.483% per annum.

The REIT Manager will continue to monitor interest rate movements and may, depending on market conditions, consider putting in place interest rate swap arrangements in respect of the remaining unhedged loan facilities under the New Term Loan Facility.

### ***Financing for Regal iClub Hotel***

On 24th February, 2012, Regal REIT, through Sonnix Limited, entered into an agreement for Regal iClub Hotel for a new loan facility of HK\$340.0 million (the "New iClub Facility") for a term of three years to replace the previous term loan and revolving credit facilities in the aggregate amount of HK\$280.0 million. The New iClub Facility also bears HIBOR-based interest and no interest rate hedging has been arranged.

### ***Impact on Income Statement***

Finance costs for the Interim Period amounted to HK\$60.7 million, representing a reduction of HK\$30.2 million or 33.2% as compared to HK\$90.9 million for the first half of 2011. This is due primarily to the lower finance costs in the prevailing low HIBOR environment, as compared to the fixed floor rate payable under the interest collar hedging arrangement in 2011.

### ***Gearing and Cash***

As at 30th June, 2012, the gearing ratio of Regal REIT was 26.3%, being the gross amount of the outstanding loans of HK\$4,838.2 million as compared to the total gross assets of Regal REIT of HK\$18,370.4 million, which is below the maximum 45% permitted under the REIT Code.

Regal REIT had a total of HK\$49.4 million in unrestricted and HK\$17.7 million in restricted cash balances and bank deposits as at 30th June, 2012. Regal REIT maintains sufficient cash reserves and receives timely payments of rental income to satisfy its financial commitments and working capital requirements.

As at 30th June, 2012, Regal REIT's properties, with an aggregate carrying value of HK\$18,257.0 million, were pledged to secure bank loan facilities granted to Regal REIT.

### PUBLIC FLOAT

As at 30th June, 2012, the total number of Units outstanding was 3,257,431,189. Refer to note 19 to the condensed consolidated interim financial statements on page 44.

As at 30th June, 2012, based on 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.

### NEW UNITS ISSUED

There were no new Units issued during the Interim Period.

### EMPLOYEES

Regal REIT is managed by the REIT Manager and the Trustee. By contracting out such services, Regal REIT does not employ any staff in its own right.

### REPURCHASE, SALE OR REDEMPTION OF UNITS

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

### MATERIAL ACQUISITIONS OR DISPOSALS OF REAL ESTATE

Regal REIT did not enter into any real estate acquisition or disposal transactions during the Interim Period.

### SUBSEQUENT EVENT AFTER THE INTERIM PERIOD

It was announced that on 9th May, 2012 that the aggregate shareholdings of Paliburg Holdings Limited ("PHL") and its subsidiaries (together, the "PHL Group") and PHL and parties acting in concert with it (together, the "PHL Concert Group") in the issued share capital of RHIHL increased to over 50% on 7th May, 2012 as a result of the repurchases of shares of RHIHL under the Regal Hotels Share Repurchase Programme. Accordingly, Regal REIT (a listed subsidiary of RHIHL), in turn, became a subsidiary of each of PHL and Century City International Holdings Limited. Pursuant to the chain principle under Note 8 to Rule 26.1 of the Code on Takeovers and Mergers, PHL was required, and has procured Glorymark Investments Limited (an indirect wholly-owned subsidiary of PHL) as the offeror, to make a general cash offer for all the outstanding Units not already owned by the PHL Concert Group (the "Regal REIT Offer"). The terms of the Regal REIT Offer were set out in the composite offer document dated 9th July, 2012.

Immediately before the commencement of the offer period of the Regal REIT Offer on 20th April, 2012, the PHL Concert Group held 2,433,549,739 Units, representing approximately 74.71% of the total number of 3,257,431,189 Units in issue. Subsequent to the closure of the offer period of the Regal REIT Offer on 30th July, 2012, valid acceptances in respect of a total of 732,363 Units were received under the Regal REIT Offer. As a result, the holding percentage of the PHL Concert Group is increased from approximately 74.71% to approximately 74.73% of the total number of Units in issue.

## CORPORATE GOVERNANCE

The REIT Manager aims to ensure good corporate governance through high levels of transparency, equal treatment of Unitholders, compliance with applicable laws and regulations and by appointing independent and well-qualified board members.

The REIT Manager has adopted a compliance manual for use in relation to the management and operation of Regal REIT (the "Compliance Manual"). The Compliance Manual sets out the key processes, systems and policies and procedures to guide operations and thereby set high standards of corporate governance to ensure that the relevant regulations and legislation are adhered to.

During the Interim Period, Regal REIT and the REIT Manager have complied with the provisions of the REIT Code, the relevant provisions of the SFO, the relevant provisions of the Listing Rules applicable to Regal REIT, the Trust Deed and the Compliance Manual.

### BOARD OF DIRECTORS OF THE REIT MANAGER

The board of directors of the REIT Manager (the "Board") is responsible for overseeing the overall governance of the REIT Manager and the day-to-day management of the REIT Manager's affairs and the conduct of its business. The Board currently comprises two Executive Directors, four Non-executive Directors and three Independent Non-executive Directors.

### DEALINGS IN SECURITIES OF REGAL REIT BY DIRECTORS OR THE REIT MANAGER

The REIT Manager has adopted the "Code Governing Dealings in Units by Directors or the REIT Manager" (the "Units Dealings Code") as set out in the Compliance Manual, on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following specific enquiries by the REIT Manager, the Directors of the REIT Manager and the REIT Manager have confirmed that they have complied with the required standards under the Model Code and the Units Dealings Code during the Interim Period.

Regal REIT and the other companies or entities held or controlled by Regal REIT (collectively, the “Regal REIT Group”) have entered into a number of continuing transactions with its connected persons (defined in paragraph 8.1 of the REIT Code), as listed below, which constitute connected party transactions of Regal REIT within the meaning of the REIT Code:

- (i) the REIT Manager and the other companies or entities held or controlled by Regal Hotels International Holdings Limited (collectively, the “RHIHL Connected Persons Group”); and
- (ii) the Trustee and companies within the same group or otherwise “associated” with the Trustee (collectively, the “Trustee Connected Persons Group”).

### RHIHL CONNECTED PERSONS GROUP

#### (i) RHIHL Lease Agreements

Each of Bauhinia Hotels Limited, in relation to Regal Airport Hotel, Cityability Limited, in relation to Regal Hongkong Hotel, Gala Hotels Limited, in relation to Regal Oriental Hotel, Regal Riverside Hotel Limited, in relation to Regal Riverside Hotel and Ricobem Limited, in relation to Regal Kowloon Hotel, the direct owners of the Initial Hotels, respectively, (collectively, the “Initial Hotel – Property Companies” and each referred to as the “Initial Hotel – Property Company”) entered into separate RHIHL Lease Agreements with the RHIHL Lessee in relation to the leasing of the Initial Hotels on 16th March, 2007. The RHIHL Lessee is a member of the RHIHL Connected Persons Group. The terms of the RHIHL Lease Agreements expire on 31st December, 2015.

Under the terms of each RHIHL Lease Agreement, the RHIHL Lessee makes lease payments to the Initial Hotel – Property Company and is entitled to operate and manage the Initial Hotel owned by the Initial Hotel – Property Company and, accordingly, all income received from the operation of the relevant Initial Hotel shall, during the term of the RHIHL Lease Agreements, be retained by the RHIHL Lessee.

During the Interim Period, the total contractual lease income under the RHIHL Lease Agreements amounted to approximately HK\$368.9 million including cash Base Rent, Variable Rent and other rental income.

#### (ii) Initial Hotels Management Agreements

Under the terms of each RHIHL Lease Agreement, the RHIHL Lessee has delegated the operation and management of the relevant Initial Hotel to Regal Hotels International Limited (the “Hotel Manager”) by entering into the Initial Hotels Management Agreement among (1) the relevant Initial Hotel – Property Company, (2) the RHIHL Lessee, (3) the Hotel Manager, (4) Regal Asset Holdings Limited and (5) RHIHL, for a term of 20 years from 16th March, 2007.

Each Initial Hotel – Property Company is a party to an Initial Hotels Management Agreement on terms including, upon the expiry or termination of any RHIHL Lease Agreement, the Hotel Manager will continue to manage the relevant Initial Hotel in accordance with the Initial Hotels Management Agreement.

Regal Asset Holdings Limited, the indirect holding company of each Initial Hotel – Property Company, is a party to the Initial Hotels Management Agreements. During the term of the RHIHL Lease Agreements, Regal Asset Holdings Limited shall maintain a cash reserve for furniture, fixtures and equipment for each of the respective Initial Hotels.

The RHIHL Lessee and the Hotel Manager are members of the RHIHL Connected Persons Group.

### **(iii) RHIHL Lease Guarantees**

RHIHL has guaranteed to pay all amounts from time to time owing or payable by the RHIHL Lessee to the Initial Hotel – Property Companies under the RHIHL Lease Agreements, when the same become due, together with other charges and outgoings, interest, default interest, fees and costs. The lease guarantees (the “RHIHL Lease Guarantees”) also contain an indemnity in respect of all guaranteed liabilities.

### **(iv) RHIHL Deed of Trade Mark Licence**

Regal International Limited, a member of the RHIHL Connected Persons Group, entered into a deed of trade mark licence (the “RHIHL Deed of Trade Mark Licence”) with the REIT Manager and Regal REIT Group on 2nd March, 2007. Regal International Limited granted to the REIT Manager and each Initial Hotel – Property Company, inter alia, a non-exclusive and non-transferable licence to use its registered trade marks or service marks, in any jurisdiction where such marks are registered and free of any royalty, for the purpose of describing the ownership of each Initial Hotel and/or use in connection with the business of each Initial Hotel.

### **(v) iClub Hotel Management Agreement**

On 23rd December, 2010, Regal REIT (via Sonnix Limited (the “Regal iClub Hotel – Property Company”)) entered into the iClub Hotel Management Agreement with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of Regal iClub Hotel for a 10-year term commencing on 1st January, 2011 and expiring on 31st December, 2020, at a management fee comprised of a base fee which is equal to 2% of the gross hotel revenue derived from Regal iClub Hotel and an incentive fee which is equal to 5% of the excess of the gross operating profit of Regal iClub Hotel over the base fee and certain fixed charges for each fiscal year during the term of the iClub Hotel Management Agreement. Reference can be made to the announcement dated 23rd December, 2010 published by the REIT Manager in relation to this connected party transaction.

### **REIT Manager Fees**

Regal Portfolio Management Limited, a member of the RHIHL Connected Persons Group, was appointed as the REIT Manager of Regal REIT. REIT Manager fees aggregating approximately HK\$38.5 million for such services rendered during the Interim Period were settled and/or are to be settled pursuant to the provisions of the Trust Deed.

## Waiver from Strict Compliance

A waiver (the “RHIHL Connected Persons Group’s Waiver”) from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code, in respect of the RHIHL Lease Agreements, Initial Hotels Management Agreements, RHIHL Lease Guarantees and RHIHL Deed of Trade Mark Licence described above, was granted by the SFC on 5th March, 2007 subject to the terms and conditions as set out in the offering circular dated 19th March, 2007 issued by the REIT Manager (the “Offering Circular”).

During the Interim Period, Regal REIT has complied with the terms and conditions of the RHIHL Connected Persons Group’s Waiver.

## TRUSTEE CONNECTED PERSONS GROUP

### Corporate Finance Transactions

Rich Day Investments Limited and Bauhinia Hotels Limited, which are members of the Regal REIT Group, entered into a loan facilities agreement with certain lending banks for an aggregate loan amount of HK\$4.5 billion comprised of a term loan of HK\$4.35 billion and a revolving credit facility of HK\$150.0 million. In March 2009, the revolving credit facility of HK\$150.0 million was drawn down and subsequently converted to a term loan during 2009. The HK\$4.5 billion term loan facility bore interest at a floating rate of three-month HIBOR plus 0.6%. In order to hedge against the floating interest rate, Regal REIT, through its subsidiaries entered into interest rate hedging arrangements with Deutsche Bank AG, a member of the Trustee Connected Persons Group in connection with the listing of Regal REIT for an aggregate notional principal amount of HK\$2.0 billion for the period from 18th January, 2008 to 18th January, 2012.

### Ordinary Banking Services

Regal Asset Holdings Limited engaged Deutsche Bank AG, a member of the Trustee Connected Persons Group, to provide ordinary banking and financial services such as bank deposits during the Interim Period in the ordinary and usual course of business of the Regal REIT Group and on normal commercial terms.

### Trustee Fees

DB Trustees (Hong Kong) Limited, a member of the Trustee Connected Persons Group, was appointed as the Trustee of Regal REIT. For services rendered in this capacity, Regal REIT paid the Trustee fees aggregating approximately HK\$1.8 million pursuant to the Trust Deed for the Interim Period.

## Waiver from Strict Compliance

A waiver (the “Trustee Connected Persons Group’s Waiver”) from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code, in respect of the above transactions with connected persons (as defined in paragraph 8.1 of the REIT Code) of the Trustee was granted by the SFC on 5th March, 2007 subject to certain conditions as set out in the Offering Circular.

During the Interim Period, Regal REIT has complied with the terms and conditions of the Trustee Connected Persons Group’s Waiver.

## DISCLOSURE OF INTERESTS

The REIT Code requires connected persons (as defined in paragraph 8.1 of the REIT Code) of Regal REIT to disclose their interests in the Units. As well, the provisions of Part XV of the SFO are deemed by the Trust Deed to apply to the REIT Manager, the directors or the chief executives of the REIT Manager, and to persons interested in the Units.

### HOLDINGS OF SIGNIFICANT UNITHOLDERS

As at 30th June, 2012, the following significant Unitholders (as defined in paragraph 8.1 of the REIT Code), not being a director or chief executive of the REIT Manager, had interests in the Units as recorded in the register required to be kept under section 336 of the SFO:

Name of Significant Unitholders	Total number of issued Units held	Approximate percentage of the issued Units as at 30th June, 2012
Century City International Holdings Limited ("CCIHL")	2,433,549,739 (Note i)	74.71%
Century City BVI Holdings Limited ("CCBVI")	2,433,549,739 (Notes i & ii)	74.71%
Paliburg Holdings Limited ("PHL")	2,428,262,739 (Notes iii & iv)	74.55%
Paliburg Development BVI Holdings Limited ("PDBVI")	2,428,262,739 (Notes iii & v)	74.55%
Regal Hotels International Holdings Limited ("RHIHL")	2,428,262,739 (Notes iii & vi)	74.55%
Regal International (BVI) Holdings Limited ("RBVI")	2,428,262,739 (Notes iii & vii)	74.55%
Complete Success Investments Limited	1,817,012,072 (Note viii)	55.78%
Great Prestige Investments Limited	373,134,326 (Note viii)	11.45%

Notes:

- (i) The interests in 2,433,549,739 Units held by each of CCIHL and CCBVI were the same parcel of Units, which were directly held by wholly-owned subsidiaries of CCBVI and RBVI, respectively.
- (ii) CCBVI is a wholly-owned subsidiary of CCIHL and its interests in Units are deemed to be the same interests held by CCIHL.

- (iii) The interests in 2,428,262,739 Units held by each of the Unitholders as named above were the same parcel of Units, which were directly held by wholly-owned subsidiaries of RBVI.
- (iv) PHL is a listed subsidiary of CCIHL, which held a 61.72% shareholding interest in PHL as at 30th June, 2012, and PHL's interests in Units are deemed to be the same interests held by CCIHL.
- (v) PDBVI is a wholly-owned subsidiary of PHL and its interests in Units are deemed to be the same interests held by PHL.
- (vi) RHIHL is a listed subsidiary of PDBVI, which held a 51.28% shareholding interest in RHIHL as at 30th June, 2012, and its interests in Units are deemed to be the same interests held by PDBVI.
- (vii) RBVI is a wholly-owned subsidiary of RHIHL and its interests in Units are deemed to be the same interests held by RHIHL.
- (viii) These companies are wholly-owned subsidiaries of RBVI and their respective direct interests in Units are deemed to be the same interests held by RBVI.

Save as disclosed herein, there is no person who, as at 30th June, 2012, had an interest in Units which are recorded in the register required to be kept under section 336 of the SFO.

#### **HOLDINGS OF THE REIT MANAGER, DIRECTORS AND CHIEF EXECUTIVES OF THE REIT MANAGER**

As at 30th June, 2012, the interests of the REIT Manager, directors and the chief executives of the REIT Manager in Units, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the REIT Manager and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code in the Listing Rules, were as follows:

<b>Name of the REIT Manager and Director of the REIT Manager</b>	<b>Total number of issued Units held</b>	<b>Approximate percentage of the issued Units as at 30th June, 2012</b>
Lo Yuk Sui	2,433,549,739 (Note i)	74.71%
Regal Portfolio Management Limited	120,381,598 (Note ii)	3.70%

Notes:

- (i) The interests in 2,433,549,739 Units were the same parcel of Units held through CCIHL, in which Mr. Lo Yuk Sui held a 56.82% shareholding interest as at 30th June, 2012.
- (ii) Regal Portfolio Management Limited is the REIT Manager of Regal REIT (as defined under the REIT Code).

Save as disclosed herein, as at 30th June, 2012, none of the REIT Manager, the directors and the chief executives of the REIT Manager had any interests in Units, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the REIT Manager and the Stock Exchange. Save as disclosed herein, the REIT Manager is not aware of any connected persons (as defined under the REIT Code) of Regal REIT holding any Units.

## PERFORMANCE TABLE

As at 30th June, 2012

		Six months ended				
	Notes	30th June, 2012	30th June, 2011	30th June, 2010	30th June, 2009	30th June, 2008
Net assets attributable to Unitholders (HK\$'million)		<b>13,174.2</b>	11,680.5	9,427.5	9,082.9	12,409.6
Net asset value per Unit attributable to Unitholders (HK\$)		<b>4.044</b>	3.586	2.918	2.849	3.961
The highest traded price during the period (HK\$)	1	<b>2.18</b>	2.66	1.98	1.28	2.37
The lowest traded price during the period (HK\$)		<b>1.68</b>	2.24	1.65	0.84	1.50
The highest discount of the traded price to net asset value per Unit attributable to Unitholders		<b>58.46%</b>	37.53%	43.45%	70.52%	62.13%
Distribution yield per Unit	2	<b>3.50%</b>	2.25%	4.70%	7.59%	5.16%

Notes:

1. The highest traded price during all the relevant periods was lower than the net asset value per Unit attributable to Unitholders reported at the end of those periods. Accordingly, no premium of the traded price to net asset value per Unit attributable to Unitholders is presented.
2. Distribution yield per Unit for the six months ended 30th June, 2012 is calculated by dividing the interim distribution per Unit of HK\$0.063 over the closing price of HK\$1.80 as at 29th June, 2012, being the last trading day for the period. The calculation of the interim distribution per Unit is set out in the section "Distribution Statement" on page 30.

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2012

	Notes	Six months ended 30th June, 2012 (unaudited) HK\$'000	Six months ended 30th June, 2011 (unaudited) HK\$'000
<b>Revenue</b>			
Gross rental revenue	4	371,189	326,865
Gross hotel revenue	4	22,219	19,522
		<u>393,408</u>	<u>346,387</u>
Property and hotel operating expenses		<u>(14,494)</u>	<u>(13,056)</u>
Net rental and hotel income	4	378,914	333,331
Other income	5	538	71
Depreciation	11	(2,541)	(2,527)
Fair value changes on investment properties	12	446,645	1,782,569
REIT Manager fees	6	(38,474)	(32,701)
Trust, professional and other expenses	7	(4,441)	(2,581)
Fair value changes on derivative financial instruments		—	3,741
Finance costs - excluding distribution to Unitholders	8	<u>(60,672)</u>	<u>(90,926)</u>
<b>PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS</b>		<b>719,969</b>	<b>1,990,977</b>
Income tax expense	9	<u>(44,814)</u>	<u>(33,367)</u>
<b>PROFIT FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS</b>		<b>675,155</b>	<b>1,957,610</b>
Finance costs - distribution to Unitholders		<u>(205,219)</u>	<u>(338,773)</u>
<b>PROFIT FOR THE PERIOD, AFTER DISTRIBUTION TO UNITHOLDERS</b>		<b>469,936</b>	<b>1,618,837</b>
<b>EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS</b>			
Basic and diluted	10	<u>HK\$0.207</u>	<u>HK\$0.603</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

	Notes	Six months ended 30th June, 2012 (unaudited) HK\$'000	Six months ended 30th June, 2011 (unaudited) HK\$'000
<b>PROFIT FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS</b>		<b>675,155</b>	1,957,610
<b>OTHER COMPREHENSIVE INCOME</b>			
Cash flow hedges:			
Changes in fair values of cash flow hedges		<b>26,079</b>	(18,951)
Transfer from hedging reserve to condensed consolidated income statement		<b>5,912</b>	63,803
		<b>31,991</b>	44,852
Gain on revaluation of property	11	<b>24,480</b>	116,433
Income tax effect	18	<b>(4,039)</b>	(19,212)
		<b>20,441</b>	97,221
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>52,432</b>	142,073
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS</b>		<b>727,587</b>	2,099,683

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2012

	Notes	30th June, 2012 (unaudited) HK\$'000	31st December, 2011 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	637,000	615,000
Investment properties	12	17,620,000	17,154,000
Total non-current assets		18,257,000	17,769,000
<b>Current assets</b>			
Accounts receivable	13	42,397	52,935
Prepayments, deposits and other receivables		2,830	2,693
Tax recoverable		1,038	4,655
Restricted cash	14	17,729	69,226
Cash and cash equivalents		49,427	23,797
Total current assets		113,421	153,306
<b>Total assets</b>		18,370,421	17,922,306
<b>Current liabilities</b>			
Accounts payable	15	47,500	87,606
Deposits received		324	262
Due to related companies		355	302
Other payables and accruals		15,716	55,459
Interest-bearing bank borrowings	16	4,794	4,563,301
Derivative financial instruments	17	—	31,991
Tax payable		19,362	2,718
Total current liabilities		88,051	4,741,639
<b>Net current assets/(liabilities)</b>		25,370	(4,588,333)
<b>Total assets less current liabilities</b>		18,282,370	13,180,667

	<b>Notes</b>	<b>30th June, 2012 (unaudited) HK\$'000</b>	31st December, 2011 (audited) HK\$'000
<b>Non-current liabilities, excluding net assets attributable to Unitholders</b>			
Interest-bearing bank borrowings	16	<b>4,768,515</b>	209,019
Deposits received		<b>2,547</b>	2,489
Deferred tax liabilities	18	<b>337,091</b>	317,310
Total non-current liabilities		<b>5,108,153</b>	528,818
<b>Total liabilities, excluding net assets attributable to Unitholders</b>		<b>5,196,204</b>	5,270,457
<b>Net assets attributable to Unitholders</b>		<b>13,174,217</b>	12,651,849
<b>Number of Units in issue</b>	19	<b>3,257,431,189</b>	3,257,431,189
<b>Net asset value per Unit attributable to Unitholders</b>	20	<b>HK\$4.044</b>	HK\$3.884

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the six months ended 30th June, 2012

	Units (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Hedging reserve (unaudited) HK\$'000	Property revaluation reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000
Net assets as at 1st January, 2012	8,432,356	15,876	(31,991)	152,735	4,082,873	12,651,849
Profit for the period	—	—	—	—	675,155	675,155
Other comprehensive income for the period:						
Cash flow hedges	—	—	31,991	—	—	31,991
Gain on revaluation of property, net of tax	—	—	—	20,441	—	20,441
Total comprehensive income for the period, before distribution to Unitholders	—	—	31,991	20,441	675,155	727,587
Finance costs - distribution to Unitholders	—	—	—	—	(205,219)	(205,219)
Net assets as at 30th June, 2012	<u>8,432,356</u>	<u>15,876</u>	<u>—</u>	<u>173,176</u>	<u>4,552,809</u>	<u>13,174,217</u>

For the six months ended 30th June, 2011

	Units (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Hedging reserve (unaudited) HK\$'000	Property revaluation reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000
Net assets as at 1st January, 2011	8,432,356	15,876	(138,677)	—	1,610,056	9,919,611
Profit for the period	—	—	—	—	1,957,610	1,957,610
Other comprehensive income for the period:						
Cash flow hedges	—	—	44,852	—	—	44,852
Gain on revaluation of property, net of tax	—	—	—	97,221	—	97,221
Total comprehensive income for the period, before distribution to Unitholders	—	—	44,852	97,221	1,957,610	2,099,683
Finance costs - distribution to Unitholders	—	—	—	—	(338,773)	(338,773)
Net assets as at 30th June, 2011	<u>8,432,356</u>	<u>15,876</u>	<u>(93,825)</u>	<u>97,221</u>	<u>3,228,893</u>	<u>11,680,521</u>

## DISTRIBUTION STATEMENT

For the six months ended 30th June, 2012

	Notes	Six months ended 30th June, 2012 (unaudited) HK\$'000	Six months ended 30th June, 2011 (unaudited) HK\$'000
<b>Profit for the period, before distribution to Unitholders</b>		<b>675,155</b>	1,957,610
Adjustments:			
Amounts set aside for the furniture, fixtures and equipment reserve	(e)	(35,974)	(15,701)
Amortisation of debt establishment costs		10,957	5,731
Fair value changes on investment properties		(446,645)	(1,782,569)
Fair value changes on derivative financial instruments		—	(3,741)
Depreciation		2,541	2,527
Deferred tax charge		15,742	22,611
<b>Distributable income for the period</b>	(a)&(b)	<b>221,776</b>	186,468
<b>Distribution per Unit</b>	(a),(b),(c)&(d)	<b>HK\$0.063</b>	HK\$0.057

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 as defined in the Trust Deed ("Total Distributable Income") for each financial year. The current policy of the REIT Manager is to distribute to Unitholders the minimum amount of no less than 90% of Regal REIT's Total Distributable Income for each financial year.
- The amount of any distribution for the interim period of each financial year is at the discretion of the REIT Manager. The REIT Manager has resolved to make an interim distribution of HK\$0.063 per Unit for the six months ended 30th June, 2012 (six months ended 30th June, 2011: HK\$0.057 per Unit).
- (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 14th September, 2012 in respect of the interim distribution for the six months ended 30th June, 2012. This interim distribution will be paid out to Unitholders on or about 10th October, 2012. The total distributable amount to be paid to Unitholders for the period of approximately HK\$205.2 million is arrived at based on the interim distribution per Unit of HK\$0.063 and the number of Units expected to be in issue at the Record Date that are entitled to distribution as detailed in note (c) below.
- (c) The number of Units expected to be entitled to distribution for the period from 1st January, 2012 to 30th June, 2012 is 3,257,431,189. This does not take into consideration any Units which may be repurchased and cancelled or any other changes in the number of the issued Units subsequent to the approval of the condensed consolidated interim financial statements but before the Record Date.
- (d) The interim distribution of HK\$0.063 per Unit for the six months ended 30th June, 2012, involving a total distributable amount of approximately HK\$205.2 million, was resolved and declared by the REIT Manager on 27th August, 2012. Accordingly, the distribution is not reflected as a distribution payable in the condensed consolidated interim financial statements and will be reflected in the consolidated financial statements for the year ending 31st December, 2012.
- (e) Amounts set aside by Regal REIT for the furniture, fixtures and equipment reserve with (the "FF&E Reserve") respect to Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, Regal Riverside Hotel (collectively, the "Initial Hotels" and each referred to as the "Initial Hotel"), and Regal iClub Hotel aggregated HK\$36.0 million (six months ended 30th June, 2011: HK\$15.7 million). This includes an additional contribution of HK\$18.0 million set aside in the FF&E Reserve, pursuant to the provisions in the Trust Deed in relation to the determination of Total Distributable Income, as approved by the REIT Manager on 27th August, 2012.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2012

	<b>Six months ended 30th June, 2012 (unaudited) HK\$'000</b>	Six months ended 30th June, 2011 (unaudited) HK\$'000
Net cash flows from operating activities	<b>208,680</b>	294,586
Net cash flows used in investing activities	<b>(7,625)</b>	(29,841)
Net cash flows used in financing activities	<b>(175,425)</b>	(284,098)
Net increase/(decrease) in cash and cash equivalents	<b>25,630</b>	(19,353)
Cash and cash equivalents at beginning of period	<b>23,797</b>	27,151
Cash and cash equivalents at end of period	<b>49,427</b>	7,798
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>49,427</b>	7,798

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

### 1. GENERAL

Regal Real Estate Investment Trust ("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 (the "Units") were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30th March, 2007 (the "Listing Date"). Regal REIT is governed by a trust deed (the "Trust Deed") dated 11th December, 2006 (date of establishment), made between Regal Portfolio Management Limited (the "REIT Manager") and DB Trustees (Hong Kong) Limited (the "Trustee") (as amended by the first supplemental trust deed dated 2nd March, 2007, the second supplemental trust deed dated 15th May, 2008, the third supplemental trust deed dated 8th May, 2009, the fourth supplemental trust deed dated 23rd July, 2010, the fifth supplemental trust deed dated 3rd May, 2011 and the sixth supplemental trust deed dated 21st July, 2011) and the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission (the "SFC").

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

The addresses of the registered office of the REIT Manager and the Trustee are Unit No. 1504, 15th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong and Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the condensed consolidated interim financial statements include applicable disclosures required by the REIT Code issued by the SFC and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange.

#### 2.2 Basis of preparation

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

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2011.

### 3. OPERATING SEGMENT INFORMATION

Operating segments of the Group are identified on the basis of internal reports about 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 these 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; and (ii) the mixed use property segment which invested in the Regal iClub Hotel, which is made up of the hotel portion and other portions.

The operating segments of the Group for the six months ended 30th June, 2012 are as follows:

	<b>Hotel Properties (unaudited) HK\$'000</b>	<b>Mixed Use Property (unaudited) HK\$'000</b>	<b>Total (unaudited) HK\$'000</b>
<b>Segment revenue</b>			
Gross rental revenue	368,929	2,260	371,189
Gross hotel revenue	—	22,219	22,219
Total	<u>368,929</u>	<u>24,479</u>	<u>393,408</u>
<b>Segment results</b>	<u>363,414</u>	<u>15,500</u>	<u>378,914</u>
Fair value changes on investment properties	440,913	5,732	446,645
Depreciation	—	(2,541)	(2,541)
Bank interest income			108
Other income			430
REIT Manager fees			(38,474)
Trust, professional and other expenses			(4,441)
Finance costs - excluding distribution to Unitholders			(60,672)
Profit before tax and distribution to Unitholders			<u>719,969</u>

The operating segments of the Group for the six months ended 30th June, 2011 were as follows:

	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>Segment revenue</b>			
Gross rental revenue	324,567	2,298	326,865
Gross hotel revenue	—	19,522	19,522
Total	<u>324,567</u>	<u>21,820</u>	<u>346,387</u>
<b>Segment results</b>	<u>319,227</u>	<u>14,104</u>	333,331
Fair value changes on investment properties	1,779,569	3,000	1,782,569
Depreciation	—	(2,527)	(2,527)
Bank interest income			71
REIT Manager fees			(32,701)
Trust, professional and other expenses			(2,581)
Fair value changes on derivative financial instruments			3,741
Finance costs - excluding distribution to Unitholders			(90,926)
Profit before tax and distribution to Unitholders			<u>1,990,977</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 30th June, 2012, 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\$17,470,000,000 (31st December, 2011: HK\$17,010,000,000) and HK\$787,000,000 (31st December, 2011: HK\$759,000,000), 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

	Six months ended 30th June, 2012		
	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Capital expenditures	<u>19,087</u>	<u>329</u>	<u>19,416</u>
	Six months ended 30th June, 2011		
	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Capital expenditures	<u>10,431</u>	<u>94</u>	<u>10,525</u>

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

### Information about a major customer

Revenue of approximately HK\$368,929,000 (six months ended 30th June, 2011: approximately HK\$324,567,000) was derived from the lease of the hotel properties to a single lessee, a related company.

### Geographical information

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

#### 4. NET RENTAL AND HOTEL INCOME

Revenue, which is also the Group's turnover, represents the gross rental revenue received and receivable from its investment properties, and gross hotel revenue during the period.

The net rental and hotel income represents the aggregate of:

- (a) Net rental income, being the gross rental revenue less property operating expenses; and
- (b) Net hotel income, being the gross hotel revenue less hotel operating expenses.

An analysis of the net rental and hotel income is as follows:

	<b>Six months ended 30th June, 2012 (unaudited) HK\$'000</b>	Six months ended 30th June, 2011 (unaudited) HK\$'000
<b>Gross rental revenue</b>		
Rental income - Initial Hotels (Note)	<b>364,319</b>	320,145
- Regal iClub Hotel - Other portions	<b>2,260</b>	2,298
Others	<b>4,610</b>	4,422
	<b>371,189</b>	326,865
Property operating expenses	<b>(5,727)</b>	(5,524)
<b>Net rental income</b>	<b>365,462</b>	321,341
<b>Gross hotel revenue</b>	<b>22,219</b>	19,522
Hotel operating expenses	<b>(8,767)</b>	(7,532)
<b>Net hotel income</b>	<b>13,452</b>	11,990
<b>Net rental and hotel income</b>	<b>378,914</b>	333,331

Note:

An analysis of the rental income is as follows:

	<b>Six months ended 30th June, 2012 (unaudited) HK\$'000</b>	Six months ended 30th June, 2011 (unaudited) HK\$'000
Base Rent:		
Cash Base Rent	<b>322,500</b>	280,000
Cash Additional Base Rent	<b>—</b>	1,078
	<b>322,500</b>	281,078
Variable Rent	<b>41,819</b>	39,067
	<b>364,319</b>	320,145

Under the terms of the lease agreements with the lessee with respect to the Initial Hotels, the Group was entitled to receive (i) cash base rent ("Base Rent"), in the form of a pre-determined fixed cash sum per annum payable monthly in advance; (ii) cash additional base rent ("Additional Base Rent") in relation to December 2010, for capital additions projects which were proposed by the lessee, were approved and funded by the Group and were intended to increase revenue and rental payment capacity of any one of the Initial Hotels; and (iii) variable rent ("Variable Rent"), computed on pre-determined percentages of the annual aggregate profits from the operations of the Initial Hotels, adjusted for the cash Base Rent and cash Additional Base Rent payments.

## 5. OTHER INCOME

	<b>Six months ended 30th June, 2012 (unaudited) HK\$'000</b>	Six months ended 30th June, 2011 (unaudited) HK\$'000
Bank interest income	108	71
Sundry	430	—
	<u>538</u>	<u>71</u>

## 6. REIT MANAGER FEES

	<b>Six months ended 30th June, 2012 (unaudited) HK\$'000</b>	Six months ended 30th June, 2011 (unaudited) HK\$'000
Base Fees in the form of cash	26,810	22,475
Variable Fees in the form of cash	11,664	10,226
	<u>38,474</u>	<u>32,701</u>

Under the Trust Deed, the REIT Manager is entitled to receive the following:

- a base fee (the "Base Fee") of currently 0.3% (subject to a maximum of 0.5%) per annum of the consolidated gross assets of Regal REIT which is payable monthly (in the form of Units and cash) and subject to adjustments (in the form of cash) based on the value of the audited total assets of Regal REIT as at the end of the reporting period for the relevant financial year; and
- a variable fee (the "Variable Fee") of currently 3% (subject to a maximum of 5%) per annum of the net property income for the relevant financial year as defined in the Trust Deed in respect of each Initial Hotel and Regal iClub Hotel, which is payable annually.

For the financial year 2012, the REIT Manager elected to receive its Base Fees and Variable Fees in the form of cash, details of which can be referred to an announcement published on 9th January, 2012.

## 7. TRUST, PROFESSIONAL AND OTHER EXPENSES

	<b>Six months ended 30th June, 2012 (unaudited) HK\$'000</b>	Six months ended 30th June, 2011 (unaudited) HK\$'000
Auditors' remuneration	815	590
Legal and other professional fees	1,159	323
Trustee fees	1,779	1,189
Other expenses	688	479
	<u>4,441</u>	<u>2,581</u>

## 8. FINANCE COSTS – EXCLUDING DISTRIBUTION TO UNITHOLDERS

	<b>Six months ended 30th June, 2012 (unaudited) HK\$'000</b>	Six months ended 30th June, 2011 (unaudited) HK\$'000
Interest expenses on interest-bearing bank borrowings repayable within five years	43,553	21,363
Fair value changes on derivative financial instruments – cash flow hedges (transfer from hedging reserve)	5,912	63,803
Amortisation of debt establishment costs	10,957	5,731
Loan agency fee	250	—
Loan commitment fees	—	29
	<u>60,672</u>	<u>90,926</u>

## 9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June, 2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	<b>Six months ended 30th June, 2012 (unaudited) HK\$'000</b>	Six months ended 30th June, 2011 (unaudited) HK\$'000
Charge for the period	<b>29,072</b>	10,756
Deferred tax (note 18)	<b>15,742</b>	22,611
Total tax charge for the period	<b><u>44,814</u></b>	<u>33,367</u>

## 10. EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The calculation of the basic earnings per Unit attributable to Unitholders is based on the profit for the period before distribution to Unitholders of approximately HK\$675,155,000 (six months ended 30th June, 2011: approximately HK\$1,957,610,000), and the weighted average of 3,257,431,189 Units (six months ended 30th June, 2011: 3,248,600,370 Units) in issue during the period. The basic earnings per Unit attributable to Unitholders for the period amounted to HK\$0.207 (six months ended 30th June, 2011: HK\$0.603). There were no new Units issued during the Interim Period.

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 period.

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Hotel properties HK\$'000</b>
At 1st January, 2011	–
Transfer from investment properties, at valuation or deemed cost (note 12)	437,000
Additions	147
Surplus on revaluation	182,916
Depreciation provided during the year	(5,063)
At 31st December, 2011 (audited) and 1st January, 2012	615,000
Additions	61
Surplus on revaluation	24,480
Depreciation provided during the period	(2,541)
At 30th June, 2012 (unaudited)	<b><u>637,000</u></b>

The Group's property, plant and equipment represents the value of land and building together with furniture, fixtures and equipment of Regal iClub Hotel for the hotel portion. The property, plant and equipment was revalued on 30th June, 2012 by Colliers International (Hong Kong) Limited, an independent professional property valuer and the principal valuer of Regal REIT, at HK\$637,000,000 on an open market value, existing use basis. A revaluation surplus of approximately HK\$24,480,000 resulting from the 30th June, 2012 valuation has been credited to other comprehensive income.

The Regal iClub Hotel is situated in Hong Kong and is held under a long term lease, and has been pledged to secure banking facilities granted to the Group (note 16).

The carrying amount of the Group's property, plant and equipment would have been approximately HK\$429,604,000 had such assets been stated in the condensed consolidated interim financial statements at cost less accumulated depreciation.

Further particulars of the Group's hotel property are included on page 52.

## 12. INVESTMENT PROPERTIES

	<b>HK\$'000</b>
At 1st January, 2011	14,880,000
Transfer to owner-occupied property (note 11)	(437,000)
Fair value changes	2,625,319
Capital expenditures for the year	85,681
	<hr/>
At 31st December, 2011 (audited) and 1st January, 2012	17,154,000
Fair value changes	446,645
Capital expenditures for the period	19,355
	<hr/>
At 30th June, 2012 (unaudited)	<u>17,620,000</u>

The Group's investment properties were valued on 30th June, 2012 by Colliers International (Hong Kong) Limited, an independent professional property valuer and the principal valuer of Regal REIT, at HK\$17,620,000,000 on an open market value, existing use basis. The investment properties are leased to a related party and other commercial tenants under operating leases, further details of which are included in note 21(a) to the condensed consolidated interim financial statements.

The Group's investment properties, which are situated in Hong Kong and are held under medium to long term leases, have been pledged to secure banking facilities granted to the Group (note 16).

Further particulars of the Group's investment properties are included on page 52.

### 13. ACCOUNTS RECEIVABLE

	<b>30th June, 2012 (unaudited) HK\$'000</b>	31st December, 2011 (audited) HK\$'000
Variable Rent receivables	<b>41,819</b>	52,221
Accounts receivable	<b>578</b>	714
	<b><u>42,397</u></b>	<u>52,935</u>

The age of the Group's accounts receivable as at the end of the reporting period, based on the invoice date, is 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 has no recent history of default. The amounts are unsecured and repayable within one year in accordance with the terms of the respective agreements.

The general credit terms for accounts receivable are 30 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

### 14. RESTRICTED CASH

At 30th June, 2012, the Group had approximately HK\$17.7 million (31st December, 2011: approximately HK\$69.2 million) of cash which was restricted as to use and mainly to be utilised for the purpose of servicing the finance costs and repayments on certain interest-bearing bank borrowings, funding the FF&E Reserve for use in the Initial Hotels and Regal iClub Hotel - Hotel portion, and deposits from certain tenants in respect of Regal iClub Hotel - Other portions. All of the restricted cash is expected to be released within one year from the end of the reporting period and is, accordingly, classified as a current asset.

### 15. ACCOUNTS PAYABLE

	<b>30th June, 2012 (unaudited) HK\$'000</b>	31st December, 2011 (audited) HK\$'000
Amounts due to related companies	<b>47,425</b>	87,513
Other accounts payable	<b>75</b>	93
	<b><u>47,500</u></b>	<u>87,606</u>

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

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

## 16. INTEREST-BEARING BANK BORROWINGS

	<b>30th June, 2012 (unaudited) HK\$'000</b>	31st December, 2011 (audited) HK\$'000
Interest-bearing bank borrowings	<b>4,838,200</b>	4,775,500
Debt establishment costs	<b>(64,891)</b>	(3,180)
	<b>4,773,309</b>	4,772,320
Portion classified as current liabilities	<b>(4,794)</b>	(4,563,301)
Non-current portion	<b>4,768,515</b>	209,019
Analysed into bank loans repayable:		
Within one year	<b>4,794</b>	4,563,301
In the second year	<b>4,794</b>	5,552
In the third to fifth years, inclusive	<b>4,763,721</b>	203,467
	<b>4,773,309</b>	4,772,320

Under a banking facility agreement dated 13th December, 2006, the Group was granted a facility aggregating HK\$4.5 billion (the "Initial Facility"). The Initial Facility bore interest at a floating interest rate based on 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 0.6% per annum. The Group had entered into interest rate swap arrangements to hedge against the interest rate exposure for the Initial Facility for a notional amount of HK\$4.35 billion, details of which are set out in note 17.

On 7th March, 2012, Regal REIT, through its wholly-owned subsidiaries, namely Bauhinia Hotels Limited and Rich Day Investments Limited as the borrowers, entered into an agreement in respect of a new facility of HK\$4.5 billion (the "New Term Loan Facility") for a term of three years. The principal amount of the New Term Loan Facility was fully drawn down on 30th March, 2012 to repay the Initial Facility which expired on the same date.

On 28th January, 2011, Regal REIT entered into a loan agreement for loan facilities aggregating HK\$280.0 million for a term of three years, comprised of a term loan of HK\$220.0 million and a revolving credit facility of HK\$60.0 million (the "Previous iClub Facilities"). The Previous iClub Facilities bore interest at rates ranging from 215 to 230 basis points above HIBOR per annum.

On 24th February, 2012, Regal REIT, through Sonnix Limited, entered into a loan agreement for a new term loan facility of HK\$340.0 million for a term of three years (the "New iClub Facility"), to replace the Previous iClub Facilities. The New iClub Facility also bears HIBOR-based interest.

As at the end of the reporting period, the New iClub Facility had an outstanding amount of HK\$338.2 million, a portion of HK\$18.0 million is repayable quarterly and a final repayment portion of HK\$320.2 million is due on 24th February, 2015.

Bank borrowings under the Initial Facility were guaranteed by Regal REIT and, on a joint and several basis, by certain individual companies of the Group. The New Facilities are guaranteed by Regal REIT.

The Group's interest-bearing bank borrowings are also secured by, amongst others:

- (i) legal charges and debentures over the corresponding properties;
- (ii) an assignment of rental income and all other proceeds arising from and including all rights, titles and interests under all hotel management agreements and lease agreements, where appropriate, and relating to the relevant properties;
- (iii) charges over each relevant rental account, sales proceeds account and other control accounts, if any;
- (iv) a floating charge over all of the undertakings, properties, assets and rights of each of the relevant companies of the Group; and
- (v) an equitable charge over the shares in the relevant companies of the Group.

## 17. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>Liabilities</b>	
	<b>30th June, 2012 (unaudited) HK\$'000</b>	31st December, 2011 (audited) HK\$'000
Interest rate swaps - cash flow hedges	—	31,991

In the past, the Group used interest rate swaps to minimise its exposure to movements in interest rates in relation to one of its floating rate term loans with a notional amount of HK\$4.35 billion (note 16). The hedging arrangements were for an aggregate notional principal amount of HK\$4.35 billion, subject to a floor rate of 3.80% per annum and expired on 18th January, 2012.

The above derivatives as at 31st December, 2011 were measured at fair values and were determined based on discounted cash flow models.

Subsequent to the end of the reporting period, the Group entered into a new hedging arrangement with a banking corporation for a notional principal amount of HK\$1.4 billion, effective from 30th July, 2012 to the expiry date of the New Term Loan Facility, pursuant to which the Group receives floating rate interest of 1-month HIBOR and pays interest quarterly at a fixed rate of 0.483% per annum.

## 18. DEFERRED TAX

The movements in deferred tax assets and liabilities during the period/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, 2011	—	(268,975)	30,610	(238,365)
Deferred tax charged to other comprehensive income during the year	(30,181)	—	—	(30,181)
Deferred tax charged to the income statement during the year	—	(28,945)	(19,819)	(48,764)
Gross deferred tax assets/(liabilities) at 31st December, 2011 (audited)	<u>(30,181)</u>	<u>(297,920)</u>	<u>10,791</u>	<u>(317,310)</u>
Gross deferred tax assets/(liabilities) at 1st January, 2012	<b>(30,181)</b>	<b>(297,920)</b>	<b>10,791</b>	<b>(317,310)</b>
Deferred tax charged to other comprehensive income during the period	<b>(4,039)</b>	—	—	<b>(4,039)</b>
Deferred tax charged to the income statement during the period (note 9)	—	<b>(12,783)</b>	<b>(2,959)</b>	<b>(15,742)</b>
Gross deferred tax assets/(liabilities) at 30th June, 2012 (unaudited)	<u><b>(34,220)</b></u>	<u><b>(310,703)</b></u>	<u><b>7,832</b></u>	<u><b>(337,091)</b></u>

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

## 19. NUMBER OF UNITS IN ISSUE

	Number of Units	
	30th June, 2012 (unaudited)	31st December, 2011 (audited)
At beginning of the period/year	<b>3,257,431,189</b>	3,241,560,101
REIT Manager fees paid in the form of Units	—	15,871,088
At end of the period/year	<u><b>3,257,431,189</b></u>	<u>3,257,431,189</u>

## 20. 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 30th June, 2012 of approximately HK\$13,174,217,000 (31st December, 2011: approximately HK\$12,651,849,000) by the number of Units in issue of 3,257,431,189 (31st December, 2011: 3,257,431,189) as at that date.

## 21. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment properties, as set out in note 12, under operating lease arrangements. At 30th June, 2012, the total future minimum lease receivables under non-cancellable operating leases with its lessees fall due as follows:

	<b>30th June, 2012 (unaudited) HK\$'000</b>	31st December, 2011 (audited) HK\$'000
Within one year	<b>334,988</b>	657,595
In the second to fifth years, inclusive	<b>30,223</b>	33,370
After five years	<b>28,734</b>	31,812
	<b><u>393,945</u></b>	<u>722,777</u>

Certain of the leases contain Additional Base Rent and Variable Rent provisions, details of which are set out in note 4 to the condensed consolidated interim financial statements.

Certain of the operating leases were entered into by the Group on behalf of a related company.

### (b) As lessee

The Group leases certain premises under operating lease arrangements which have been negotiated for terms ranging from 3 to 12 years. At 30th June, 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30th June, 2012 (unaudited) HK\$'000</b>	31st December, 2011 (audited) HK\$'000
Within one year	<b>7,544</b>	7,667
In the second to fifth years, inclusive	<b>26,686</b>	27,510
After five years	<b>28,734</b>	31,812
	<b><u>62,964</u></b>	<u>66,989</u>

During the six months ended 30th June, 2012, the total minimum lease payments under operating leases in respect of land and buildings included in property and hotel operating expenses of approximately HK\$3,802,000 (six months ended 30th June, 2011: HK\$3,078,600) were charged to the condensed consolidated income statement.

## 22. COMMITMENTS

In addition to the operating lease commitments detailed in note 21(b) above, the Group had the following capital commitments for its properties at the end of the reporting period:

	<b>30th June, 2012 (unaudited) HK\$'000</b>	31st December, 2011 (audited) HK\$'000
Authorised, but not contracted for	<u>21,004</u>	<u>37,280</u>

## 23. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with connected and/or related parties during the period:

<b>Connected/related parties</b>	<b>Relationship with the Group</b>
DB Trustees (Hong Kong) Limited (the "Trustee")	The Trustee of Regal REIT
Deutsche Bank AG and its associates (the "Deutsche Bank Group")	Connected persons of the Trustee
Regal Hotels International Holdings Limited and other members of its group (collectively the "RHIHL Group")	Significant Unitholder of Regal REIT
Regal Portfolio Management Limited (the "REIT Manager")	The Manager of Regal REIT and a member of the RHIHL Group
Paliburg Holdings Limited and other members of its group (collectively the "PHL Group")	Controlling shareholders of the RHIHL Group
Colliers International (Hong Kong) Limited (the "Valuer")	The principal valuer of the Group

(a) Transactions with connected/related parties:

	Notes	Six months ended 30th June, 2012 (unaudited) HK\$'000	Six months ended 30th June, 2011 (unaudited) HK\$'000
Rental income received/receivable from the RHIHL Group	(i)	<b>368,929</b>	324,567
Hotel management fees charged by the RHIHL Group	(ii)	<b>(1,152)</b>	(1,021)
Marketing fee charged by the RHIHL Group	(iii)	<b>(222)</b>	(195)
Building management fee charged by the PHL Group	(iv)	<b>(208)</b>	(179)
Construction fee charged by the PHL Group	(v)	<b>(270)</b>	—
Interest expense charged by the Deutsche Bank Group	(vi)	<b>(2,716)</b>	(29,332)
REIT Manager fees	(vii)	<b>(38,474)</b>	(32,701)
Trustee fees	(viii)	<b>(1,779)</b>	(1,189)
Valuation fees paid/payable to the Valuer	(ix)	<b>(363)</b>	(170)

Notes:

- (i) The rental income earned by the Group was in accordance with the relevant agreements with respect to the Initial Hotels, details of which, including the terms, are set out in note 4 to the condensed consolidated interim financial statements.
- (ii) Hotel management fees comprised of (a) a base fee, for an amount based on 2% of the gross hotel revenue, and (b) an incentive fee based on 5% of the excess of the gross operating profit over the base fee and fixed charges in accordance with the corresponding hotel management agreement.
- (iii) The marketing fee in respect of Regal iClub Hotel - Hotel portion was charged at 1% of the gross hotel revenue of Regal iClub Hotel - Hotel portion in accordance with the corresponding hotel management agreement.
- (iv) The building management fee was charged at a mutually agreed amount payable on a monthly basis in respect of the Regal iClub Hotel - Other portions.
- (v) The construction fee was charged by the PHL Group in accordance with the terms of the relevant agreement.
- (vi) The interest expense is related to bank balances maintained and interest rate swaps arranged with the Deutsche Bank Group. The incurred interest expense thereon was in accordance with the corresponding bank agreements and swap contracts with the Deutsche Bank Group.
- (vii) The REIT Manager is entitled to receive Base Fees and Variable Fees, details of which, including the terms, are set out in note 6 to the condensed consolidated interim financial statements.
- (viii) The Trustee is entitled to receive trustee fees (calculated and payable quarterly) at rates ranging from 0.015% per annum to 0.025% per annum based on the value of all the assets of Regal REIT as at the end of the reporting period subject to a minimum of HK\$66,000 per month.
- (ix) The valuation fees were charged by the Valuer in accordance with the terms of the relevant agreements.

(b) Balances with connected/related parties were as follows:

	Notes	30th June, 2012 (unaudited) HK\$'000	31st December, 2011 (audited) HK\$'000
Net amounts due from/(to) the RHIHL Group:			
Variable Rent receivables	(i)	41,819	52,221
Other receivables	(ii)	—	65
Accounts payable to related companies	(ii)	(47,425)	(87,513)
Other payables	(iii)	(7,350)	(9,662)
Amounts due to related companies	(iii)	(355)	(302)
Net amounts due from/(to) the PHL Group:			
Other payables and accruals	(iii)	(43)	(130)
Deposits paid	(ii)	1,212	1,212
Net amounts due to:			
The Trustee	(iv)	(736)	(707)
The Valuer	(v)	(260)	(561)
Restricted and non-restricted bank balances with the Deutsche Bank Group	(vi)	128	40,271

Notes:

- (i) Details of the balances are set out in note 13 to the condensed consolidated interim financial statements.
  - (ii) The amounts are unsecured, interest-free and repayable on demand.
  - (iii) The amounts are unsecured, interest-free and repayable within one year.
  - (iv) The amount is unsecured and repayable in accordance with the terms of the Trust Deed.
  - (v) The amount is repayable in accordance with the terms of the relevant agreement.
  - (vi) The bank balances earn interest at prevailing market rates.
- (c) The RHIHL Group has guaranteed to pay all amounts from time to time owing or payable by the lessee of the Initial Hotels to the Group under the respective lease agreements, when the same become due, together with other charges and outgoings, interest, default interest, fees and costs. In this connection, the RHIHL Group undertook to maintain a minimum consolidated tangible net worth (as defined in the relevant agreements) of HK\$4 billion and procured an unconditional and irrevocable bank guarantee in the amount of HK\$1 billion in favour of the Group and the Trustee for a period up to 30th June, 2011. Under the Market Rental Package for 2011, the RHIHL Lessee had delivered a replacement third party guarantee as a security deposit, for an amount of HK\$280.0 million, which is equivalent to six months Base Rent for the year 2011, issued by a licensed bank in Hong Kong in favor of the Group and the Trustee for a period up to 30th June, 2012. On 28th October, 2011, a new third party guarantee was issued to raise the guarantee amount of HK\$280.0 million to HK\$322.5 million effective from 1st January, 2012 to 31st December, 2012.

- (d) Under a deed of trade mark licence, the RHIHL Group granted the REIT Manager and companies holding the Initial Hotels within the Group a non-exclusive and non-transferable licence at nil consideration to use its registered trade marks or service marks for the purpose of describing the ownership of the Initial Hotels and/or use in connection with the business of the Initial Hotels.
- (e) On 23rd December, 2010, the Group entered into a hotel management agreement with a member of the RHIHL Group in respect of the management of the hotel portion of Regal iClub Hotel for a 10-year term commencing on 1st January, 2011 and expiring on 31st December, 2020.

## REVIEW OF INTERIM RESULTS

The Disclosure Committee and the Audit Committee of the REIT Manager have reviewed the interim report of Regal REIT for the six-month period from 1st January, 2012 to 30th June, 2012, in conjunction with Regal REIT's external auditors. The review report of the external auditors is set out on page 51 of this report.



To the board of directors of Regal Portfolio Management Limited (the "REIT Manager")

## INTRODUCTION

We have reviewed the interim financial information of Regal Real Estate Investment Trust ("Regal REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 49, which comprise the condensed consolidated statement of financial position as at 30th June, 2012, and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in net assets, statement of cash flows and distribution statement for the six-month period then ended, and explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The REIT Manager is responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**  
*Certified Public Accountants*

22nd Floor, CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

27th August, 2012

## INVESTMENT/HOTEL PROPERTIES PORTFOLIO

As at 30th June, 2012

	Description	Use	Lease	Gross Floor Area (sq.m.)	Approx Covered Floor Area (sq.m.)	Percentage interest attributable to Regal REIT
(1)	Regal Airport Hotel 9 Cheong Tat Road Hong Kong International Airport Chek Lap Kok New Territories Hong Kong	Hotel	Medium term	71,988	83,400	100
(2)	Regal Hongkong Hotel 88 Yee Wo Street Causeway Bay Hong Kong	Hotel	Long term	25,083	31,900	100
(3)	Regal Kowloon Hotel 71 Mody Road Tsimshatsui Kowloon Hong Kong	Hotel	Long term	31,746	43,500	100
(4)	Regal Oriental Hotel 30-38 Sa Po Road and Shops 3-11 on G/F including Cockloft of Shops 5-7 and the whole of 1/F Po Sing Court 21-25 Shek Ku Lung Road 40-42 Sa Po Road and 15-29 Carpenter Road Kowloon City Kowloon Hong Kong	Hotel	Medium term	22,601	27,300	100
(5)	Regal Riverside Hotel 34-36 Tai Chung Kiu Road Shatin, New Territories Hong Kong	Hotel	Medium term	59,668	69,000	100
(6)	Regal iClub Hotel Shops A, B and C on G/F, Flat Roof on 3/F, Whole of 5-12/F, 15-23/F and 25-29/F Eastern and Western Elevations of External Walls Architectural Feature at Roof Top and Upper Roof 211 Johnston Road Wanchai Hong Kong	Hotel/ commercial	Long term	5,326	5,530	100

[www.RegalREIT.com](http://www.RegalREIT.com)