



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)

2014 INTERIM REPORT



Managed by



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

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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)
Lo Po Man (Vice Chairman)
Donald Fan Tung
Jimmy Lo Chun To
Kenneth Ng Kwai Kai

Executive Directors

Johnny Chen Sing Hung
Simon Lam Man Lim

Independent Non-executive Directors

John William Crawford, JP
Alvin Leslie Lam Kwing Wai
Kai Ole Ringenson
Abraham Shek Lai Him, GBS, JP

RESPONSIBLE OFFICERS OF THE REIT MANAGER

Johnny Chen Sing Hung
Simon Lam Man Lim
Yip Yat Wa

AUDIT COMMITTEE OF THE REIT MANAGER

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

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

Savills Valuation and Professional Services Limited

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited
The Bank of East Asia, Limited
Chinatrust Commercial Bank, Limited
China Construction Bank (Asia) Corporation Limited
Crédit Agricole Corporate & Investment Bank,
Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Oversea-Chinese Banking Corporation Limited,
Hong Kong Branch
Sumitomo Mitsui Banking Corporation
United Overseas Bank Limited

LEGAL ADVISORS

Baker & McKenzie

UNIT REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
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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 2014 Interim Report of Regal Real Estate Investment Trust.

For the six months ended 30th June, 2014, Regal REIT attained an unaudited consolidated profit before distribution to Unitholders of HK\$319.6 million, as compared to the profit of HK\$335.4 million recorded in the corresponding period in 2013. Based on the market valuations as of 30th June, 2014, there was an increase of HK\$74.0 million in the fair value of Regal REIT's investment properties portfolio reflected in the results for the period under review, while for the comparative period last year, a gain of HK\$124.8 million was reported for such fair value changes. If the fair value changes are excluded, the core profit before distribution to Unitholders for the Interim Period would amount to HK\$245.6 million, representing an increase of 16.6% over the HK\$210.6 million attained for the corresponding period in 2013.

Total distributable income for the Interim Period amounted to HK\$256.6 million, which was equivalent to approximately HK\$0.0788 per Unit, and represents an increase of HK\$33.9 million (equivalent to approximately 15.2%) over the HK\$222.7 million attained for the same period last year. In accordance with 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\$0.074 per Unit for the six months ended 30th June, 2014, representing an increase of approximately 10.4% over the interim distribution of HK\$0.067 per Unit in 2013 and a distribution ratio of approximately 93.9% for the Interim Period.

The pace of recovery in the global economy during the period under review was slower than expected but is anticipated to pick up in the latter part of 2014. In China, the central government authorities have implemented limited and targeted policy measures to support economic activities in the second half of the year and the growth in its GDP in 2014 is projected by the International Monetary Fund to be around 7.4%. Meanwhile, Hong Kong's economy expanded moderately in the first half of 2014 and its GDP for the year as a whole is now forecast to grow between 2 to 3%. Nevertheless, there are still concerns on potential downside risks, which could be caused by the persistent financial weakness in some economies in the Euro area and Latin America, the raising of long term interest rates and the increased geopolitical tensions in certain regions.

In the first half of 2014, total visitors to Hong Kong amounted to over 28.5 million, which is an increase of 12.5% year-on-year, with visitors from Mainland China accounting for over 76% of the total headcount. Although consumer spending by Mainland visitors in the retail market has contracted somewhat during this period, particularly on high end luxury goods, the hotel market in Hong Kong has continued to perform well. Based on the information published by the Hong Kong Tourism Board, the average hotel room occupancy for all the surveyed hotels under different categories in Hong Kong for the half year ended 30th June has risen from 87% in 2013 to 89% in 2014, with the average achieved room rate also gaining by 2.8% over the same comparative period.

During the period under review, the five Initial Hotels in Hong Kong operating as full-service hotels under the "Regal" brand name, achieved a combined average occupancy of 92.9%, representing an increase of 6.4% over the 87.3% recorded in the same period last year, while the combined average room rate gained at the same time by 2.9%, resulting in an increase in RevPAR (Revenue per Available Room) of 9.5% year-on-year.

The prevailing base rent for 2014 for the Initial Hotels, which are under lease to a wholly-owned subsidiary of Regal Hotels International Holdings Limited (“RHIHL”), the immediate listed holding company of Regal REIT, is HK\$743.0 million, with equal sharing of the excess of their aggregate net property income over the annual base rent. The aggregate net property income of these five hotels for the half year under review amounted to HK\$447.2 million, which exceeded the prorated base rent by HK\$75.7 million and 50% of this excess, amounting to approximately HK\$37.8 million, is attributed to Regal REIT as variable rent. As the latter part of the year is traditionally the busier season for the hotel market in Hong Kong, the variable rent sharing for the second half of 2014 is expected to be higher than that in the first half.

The market rental review for the Initial Hotels for 2015 by the independent professional property valuer was recently completed and the aggregate annual base rent for 2015 has been determined at HK\$763.0 million, representing an increase of 2.7% over the annual base rent in 2014, with variable rent continuing to be based on the same 50% sharing of the excess of the aggregate net property income of the Initial Hotels over the aggregate base rent. In the meanwhile, the REIT Manager has initiated discussions with the RHIHL Group on the renewal of the existing leases for the Initial Hotels, which are due to expire on 31st December, 2015 under their prevailing terms.

Apart from the five Initial Hotels, Regal REIT also owns three other hotels in Hong Kong, all under the “iclub by Regal” brand name. The “iclub” brand is a new line of hotels developed by the RHIHL Group, which are typically positioned as upscale select-service hotels, with contemporary and stylish décor, and equipped with tech-savvy facilities.

The first hotel operated under the “iclub” brand was the “iclub Wan Chai Hotel”, which was formerly named as the “Regal iClub Hotel”, in Wanchai and is self-operated by Regal REIT. The operating performance of iclub Wan Chai Hotel in the first half of 2014 was satisfactory, with occupancy having maintained at virtually 100% and, despite keen competition, has achieved a growth in RevPAR of 2.5% as compared to the same period last year.

As mentioned in the 2013 Annual Report, Regal REIT completed the acquisition of the new hotel located at Nos. 132-140 Bonham Strand, Sheung Wan in February 2014 from P&R Holdings Limited (“P&R Holdings”) pursuant to the terms of the Share Purchase Agreement, which has been leased to the RHIHL Group effective from the date of completion, with rental for the first year fixed at HK\$79.0 million. The hotel, comprising 34 storeys with 248 guestrooms and suites, is named as the “iclub Sheung Wan Hotel” and has commenced business operations in June 2014.

Subsequent to the Interim Period, on 28th July, 2014, Regal REIT further completed the acquisition of another new hotel located at Nos. 14-20 Merlin Street, North Point, pursuant to the terms of the Option Agreement with P&R Holdings. The total consideration for the acquisition was HK\$1,651.4 million, comprising the final exercise price of HK\$1,650.0 million, based on an updated valuation of the hotel property as of 30th April, 2014 by an independent valuer, and current assets adjustment of HK\$1.4 million. The hotel has similarly been leased to the RHIHL Group commencing from the date of acquisition and the prevailing rent for the first year is set at HK\$82.5 million. The hotel has 32 storeys with 338 guestrooms and will be named as the “iclub Fortress Hill Hotel”. Business operations are anticipated to commence in September this year and this will be the third “iclub” hotel of Regal REIT in Hong Kong.

Apart from strengthening the overall properties portfolio of Regal REIT, the two new “iclub” hotels are expected to provide accretions to the distributable income of Regal REIT, particularly under the current low interest rate environment. When the iclub Fortress Hill Hotel comes on stream, the total number of hotels owned by Regal REIT in Hong Kong will increase to eight and the total hotel room inventory will have an aggregate of about 4,570 guestrooms and suites.

The Directors of the REIT Manager are optimistic on the outlook of the hotel industry in Hong Kong and will seek to maintain Regal REIT's strategic position as one of the pre-eminent hotel owners in Hong Kong, with a diversified portfolio of full-service and select-service hotels. Regal REIT will continue to review accretive acquisition opportunities that can serve to enhance its market positioning in Hong Kong as well as other suitable opportunities outside of Hong Kong which can complement and facilitate its business growth in the long term.

The Securities and Futures Commission has recently released the Consultation Conclusions on Amendments to the Code on Real Estate Investment Trusts, which are working towards allowing a higher degree of flexibility to REITs in Hong Kong to invest in property development and financial instruments. These amendments, when they become effective, are expected to enhance the competitiveness of REITs in Hong Kong as well as the attractiveness of the REIT market as a whole.

On behalf of the Board of Directors of the REIT Manager, I would like to take this opportunity to thank Mr. Francis Chiu, who resigned from the REIT Manager on 1st August, 2014, for his contribution over his past years of service and to welcome Mr. Johnny Chen, who has been appointed in his stead as Executive Director – Asset Management of the REIT Manager with effect from 26th August, 2014.

Lo Yuk Sui

Chairman

Regal Portfolio Management Limited

(as the REIT Manager of Regal REIT)

Hong Kong, 26th August, 2014

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, 2014 to 30th June, 2014 (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 premises).

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"), iclub Wan Chai Hotel (formerly known as Regal iClub Hotel) and iclub Sheung Wan 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, iclub Wan Chai Hotel or iclub Sheung Wan Hotel directly.

The current leases in respect of the Initial Hotels to Favour Link International Limited (the "RHIHL Lessee"), a wholly-owned subsidiary of Regal Hotels International Holdings Limited ("RHIHL", together with its subsidiaries, collectively, the "RHIHL Group"), will last until 31st December, 2015 under the relevant lease agreements (the "Initial Hotels Lease Agreements"). For the years 2011 to 2015, the rental packages of the Initial Hotels are determined on a yearly basis by a jointly appointed independent professional property valuer (expenses to be split equally between 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 contributions 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 iclub Wan Chai Hotel for a term of 10 years from 1st January, 2011 to 31st December, 2020 (the "Wan Chai Hotel Management Agreement"). Since 1st January, 2011, the operating results of the iclub Wan Chai Hotel have been accounted for directly by Regal REIT.

On 10th February, 2014, Regal REIT completed the acquisition of the new hotel, namely, iclub Sheung Wan Hotel, which is located at Nos. 132-140 Bonham Strand, Sheung Wan at a final total consideration of approximately HK\$1,581 million (the "SW Transaction"). Upon completion of the SW Transaction, the iclub Sheung Wan Hotel was leased to the RHIHL Lessee for use in hotel operations for the period from 10th February, 2014 to 31st December, 2019 under a new lease agreement (the "SW Lease Agreement"), which is extendable at the option of Regal REIT for a further 5 years. The Hotel Manager of the Initial Hotels and the iclub Wan Chai Hotel was also appointed as the hotel manager for the operation of the iclub Sheung Wan Hotel under a 10-year hotel management agreement (the "SW Hotel Management Agreement") commencing on 10th February, 2014.

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 2014

Mr. David Faulkner, as an independent professional property valuer, was jointly appointed in June 2013 to conduct a rent review for the Initial Hotels for the year 2014. According to the determination of the Market Rental Package for the year 2014, the aggregate amount payable by the RHIHL Lessee as Base Rent for the Initial Hotels was determined to be HK\$743.0 million with Variable Rent continuing to be based on a sharing of 50% of the excess of the aggregate net property income ("NPI") of the Initial Hotels over the aggregate Base Rent from the operations thereof in 2014. According to the Market Rental Package for 2014, 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 third party guarantees as a security deposit, for an aggregate amount of HK\$371.5 million, which is equivalent to six months Base Rent for the year 2014, issued by a licensed bank in Hong Kong. Details of the Market Rental Package for 2014 can be referred to in an announcement published on 26th August, 2013.

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 earned an aggregate of HK\$371.5 million in Base Rent.

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\$447.2 million, which exceeded the prorated Base Rent by HK\$75.7 million, Variable Rent of HK\$37.8 million was earned which was Regal REIT's 50% share of the excess of the aggregate NPI over the Base Rent.

Rent Review of Market Rental Package for 2015

Pursuant to the Initial Hotels Lease Agreements, an independent professional property valuer is to be jointly appointed to conduct annual rent reviews 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, 2012, 2013 and 2014, was jointly appointed in June 2014 to carry out the rental review process for 2015. This rental review exercise has recently been concluded and the annual base rent for 2015 has been determined to be HK\$763.0 million, with the Variable Rent being retained at 50% of the aggregate NPI excess over the annual Base Rent. Full details of the Market Rental Package for 2015 are contained in a separate announcement released by the REIT Manager on 26th August, 2014.

iclub Wan Chai Hotel - Revenue Structure

Hotel Portion

For the six months ended 30th June, 2014, iclub Wan Chai Hotel - Hotel portion contributed gross hotel revenue of HK\$21.5 million and incurred operating costs and expenses amounting to HK\$9.2 million.

Non-hotel Portions

iclub Wan Chai Hotel - Non-hotel portions, comprised of 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.

iclub Sheung Wan Hotel – Rental Structure

Pursuant to the SW Lease Agreement, the RHIHL Lessee is obligated to pay the rental in respect of the iclub Sheung Wan Hotel to Regal REIT for the period from 10th February, 2014 to 31st December, 2019, which is extendable at the option of Regal REIT for a further 5 years.

Fixed Rent

Regal REIT receives fixed rent in the form of cash for the iclub Sheung Wan Hotel commencing from 10th February, 2014 to 9th February, 2017. Annual rents for the first three lease years of the lease term have been determined to be HK\$79.00 million, HK\$82.95 million and HK\$86.90 million, respectively. During the period from 10th February, 2014 to 30th June, 2014, Regal REIT earned aggregate fixed rent of HK\$30.8 million.

Rent Reviews

Rent reviews by a jointly appointed independent professional property valuer will take place for each of the remaining years of the lease term from 10th February, 2017 to 31st December, 2019 and any extension thereof to determine the market rental packages, including the market rental components (comprising the base rent, variable rent and lessee's contribution to the FF&E Reserve) together with the amount of the security deposit required.

Furniture, Fixtures & Equipment Reserve

Regal REIT is obligated under the respective Initial Hotels Lease Agreements and Wan Chai Hotel Management Agreement to maintain a reserve to fund expenditures for replacements of furniture, fixtures and equipment in the Initial Hotels and iclub Wan Chai 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 each month. During the Interim Period, HK\$19.8 million was contributed to the reserve, with expenditures amounting to HK\$12.9 million incurred for the purposes intended.

Pursuant to the SW Lease Agreement, the RHIHL Lessee is required for the first three lease years to fund the actual cost of any replacement and/or additional furniture, fixtures and equipment in the iclub Sheung Wan Hotel.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The results of the Group for the Interim Period are set out in the condensed consolidated financial statements on pages 31 to 60.

Hotel Industry Conditions in Hong Kong

Visitor Arrivals to Hong Kong, 1H 2014 versus 1H 2013¹

Visitors to Hong Kong by Geographical Regions	1H 2014 (Percentage of total visitors)	1H 2014 (No. of visitors)	1H 2013 (No. of visitors)	Variance (No. of visitors)	Variance (%)
Mainland China	76.5%	21,822,829	18,815,195	3,007,634	16.0%
South & Southeast Asia	6.4%	1,820,181	1,790,858	29,323	1.6%
North Asia	4.0%	1,138,668	1,019,312	119,356	11.7%
Taiwan	3.5%	991,773	1,003,792	(12,019)	(1.2%)
Europe, Africa & the Middle East	3.9%	1,109,047	1,117,671	(8,624)	(0.8%)
The Americas	2.9%	833,447	835,381	(1,934)	(0.2%)
Australia, New Zealand & South Pacific	1.2%	355,682	353,848	1,834	0.5%
Macau SAR	1.6%	457,588	429,796	27,792	6.5%
Total	100.0%	28,529,215	25,365,853	3,163,362	12.5%

Economic recovery continues globally with encouraging signs of growth becoming more broad-based. The outlook for Hong Kong's tourism industry remains bright. Total visitor arrivals in the first half of 2014 reached 28.5 million, indicating a 12.5% increase as compared to the same period last year.

The strong arrivals from China aggregated to 21.8 million visitors, representing a growth of 16.0% as compared with the preceding period under review. Mainland arrivals accounted for 76.5% of the total visitor arrivals to Hong Kong during the first half of 2014.

For short-haul markets, arrivals from other Asian regions (including North Asia, South & Southeast Asia, Taiwan and Macau SAR) reported growth of 3.9% and reached the level of 4.4 million visitors.

Visitors from long-haul markets were affected by the still uncertain economic situations in some parts of the world. Visitors from the Americas recorded a slight drop of 0.2% to 0.8 million, representing 2.9% of the total arrivals. The Europe, Africa and the Middle East markets also reported a 0.8% decrease in arrivals, with the region's arrivals totaling 1.1 million, thus making up 3.9% of the aggregate arrival numbers.

¹ Source: Insight & Research, Hong Kong Tourism Board, "Visitor Arrival Statistics – Jun 2014", July 2014; the REIT Manager.

Review of Hotel Rooms Supply in Hong Kong

During the first quarter of 2014, Hong Kong's hotel room supply went up by 613 units from 70,017 to 70,630 rooms for a small increase of 0.9%. During the period, the number of hotel properties in Hong Kong grew from 225 to 228, showing an increase of 1.3%. By the end of 2014, 21 new hotels are expected to open with 2,755 rooms, with total hotel room supply reaching 73,385 units (FY2013: 70,017 units) for a projected year-on-year increase of 4.8%².

Industry Performance

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

Category	Hong Kong Hotel Market Performance (1H 2014 versus 1H 2013) ³					
	Room Occupancy Rates		Average Room Rates		RevPAR	
	1H 2014	1H 2013	1H 2014	1H 2013	1H 2014	1H 2013
	%	%	HK\$	HK\$	HK\$	HK\$
High Tariff A	86	84	2,446	2,368	2,104	1,989
High Tariff B	91	88	1,204	1,168	1,096	1,028
Medium Tariff	91	90	740	733	673	660
All Hotels	89	87	1,463	1,423	1,302	1,238

During the first half of 2014, all hotels in Hong Kong reported an average occupancy rate of 89%, posting a gain of 2% versus the same period last year. At the same time, the hotel industry's average room rate also recorded a relatively small increase of HK\$40 per night or 2.8%. Both factors contributed to the rise in the hotel industry's RevPAR by HK\$64 or 5.2% year-on-year.

Performance Highlights of Regal REIT

Regal REIT currently has an aggregate of 4,232 guestrooms and suites with 7 hotel properties that are strategically located across Hong Kong. The aggregate property valuation of Regal REIT's property portfolio amounted to HK\$22,749.0 million as at 30th June, 2014, representing an increase of HK\$1,669.0 million as compared to the valuation of HK\$21,080.0 million as at 31st December, 2013. The increase is largely attributable to the addition of the iclub Sheung Wan Hotel property during the Interim Period.

Overall, the properties portfolio of Regal REIT achieved satisfactory operating performance during the period under review as compared with the first half of 2013.

² Source: Insight & Research, Hong Kong Tourism Board, "Hotel Supply Situation – as at Mar 2014", May 2014; the REIT Manager.

³ Source: Insight & Research, Hong Kong Tourism Board, "Hotel Room Occupancy Report – Jun 2014", July 2014; the REIT Manager.

Performance of the Initial Hotels

Total Hotel Revenue, Gross Operating Profit and Net Property Income For the Initial Hotels for 1H 2014 versus 1H 2013

	1H 2014 (HK\$'million)	1H 2013 (HK\$'million)	Variance (HK\$'million)	Variance (%)
Operating Results				
Room revenue	679.4	611.5	67.9	11.1%
Food and beverage revenue	269.1	254.7	14.4	5.7%
Other income	21.1	22.4	(1.3)	(5.8%)
Total hotel revenue	969.6	888.6	81.0	9.1%
Operating expenses	(507.3)	(464.8)	(42.5)	9.1%
Gross operating profit	462.3	423.8	38.5	9.1%
Other expenses	(35.6)	(33.0)	(2.6)	7.9%
Net rental income	20.5	15.8	4.7	29.7%
Net property income	447.2	406.6	40.6	10.0%
Statistics				
Average room rate	HK\$1,039.33	HK\$1,010.36	HK\$28.97	2.9%
Occupancy rate	92.9%	87.3%	5.6%	6.4%
RevPAR	HK\$965.93	HK\$882.15	HK\$83.78	9.5%
Total available room nights	703,185	693,230	9,955	1.4%
Occupied room nights	653,525	605,263	48,262	8.0%

During the period under review, the overall performance of the five Initial Hotels leased to the RHIHL Group continued to show satisfactory growth in all aspects. Total hotel revenue of the Initial Hotels increased to HK\$969.6 million (1H2013: HK\$888.6 million) or a 9.1% rise compared with the same period last year. Gross operating profit gained HK\$38.5 million reaching HK\$462.3 million (1H2013: HK\$423.8 million). Likewise, net property income achieved HK\$447.2 million for an increase of HK\$40.6 million (1H2013: HK\$406.6 million).

During the Interim Period, the average occupancy rate of the Initial Hotels rose to 92.9% (1H2013: 87.3%), while the average room rate rose by HK\$28.97 reaching HK\$1,039.33 (1H2013: HK\$1,010.36), representing an increase of 2.9%. The RevPAR climbed to HK\$965.93 (1H2013: HK\$882.15) with an increase of HK\$83.78.

Performance of iclub Wan Chai Hotel

During the period under review, the average occupancy rate of iclub Wan Chai Hotel was close to 100%. The average room rate and RevPAR both attained around HK\$1,193, gaining 2.5% from HK\$1,163 as reported in the same period last year.

Performance of iclub Sheung Wan Hotel

The iclub Sheung Wan Hotel commenced hotel operations in June 2014. During the period under review, Regal REIT earned a fixed rental income, as pre-determined in accordance to the terms of the SW Lease Agreement that took effect from the date of acquisition on 10th February, 2014.

Net Rental and Hotel Income

An analysis of the net rental and hotel income for the Interim Period compared to the corresponding period in 2013 is set out below.

	Six months ended 30th June, 2014		Six months ended 30th June, 2013	
	HK\$'million	%	HK\$'million	%
Initial Hotels				
Base Rent	371.5	79.2	367.0	88.4
Variable Rent	37.8	8.0	19.8	4.8
Other income	5.4	1.1	5.1	1.2
iclub Wan Chai Hotel				
Gross hotel revenue	21.5	4.6	21.0	5.1
Rental income	2.3	0.5	2.4	0.5
iclub Sheung Wan Hotel				
Rental income	30.8	6.6	—	—
Gross rental and hotel revenue	469.3	100.0	415.3	100.0
Property operating expenses	(5.7)	(1.2)	(5.5)	(1.3)
Hotel operating expenses	(9.2)	(2.0)	(9.1)	(2.2)
Net rental and hotel income	454.4	96.8	400.7	96.5

During the Interim Period, net rental and hotel income represented 96.8% of the gross rental and hotel revenue, after the deduction of property and hotel operating expenses. The management services of the hotel properties are provided by the hotel manager under the relevant hotel management agreements with respect to the Initial Hotels, iclub Wan Chai Hotel – Hotel portion and iclub Sheung Wan Hotel.

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 its total distributable income for each financial year and the current policy of the REIT Manager is to comply with such requirement. 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\$256.6 million, representing an approximate HK\$0.0788 per Unit entitlement for the interim distribution.

Interim Distribution for 2014

The Directors of the REIT Manager have resolved to declare a distribution of HK\$0.074 per Unit for the Interim Period. The interim distribution will be payable to Unitholders on the Register of Unitholders on 17th September, 2014.

Closure of Register of Unitholders

The Register of Unitholders will be closed from Monday, 15th September, 2014 to Wednesday, 17th September, 2014, both days inclusive, during which period no transfers of Units will be effected. In order to qualify for the interim distribution for 2014, 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 Friday, 12th September, 2014. The relevant distribution warrants are expected to be despatched on or about 8th October, 2014.

Acquisition - Completion of the SW Transaction

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

The iclub Sheung Wan Hotel commenced its hotel operations in June 2014. This 34-storey hotel consists of 248 guestrooms comprised of 223 standard rooms and 25 suites.

Valuation of the Properties Portfolio

As at 30th June, 2014, Regal REIT's seven properties in its portfolio were appraised at an aggregate value of HK\$22,749.0 million (31st December, 2013: six properties at HK\$21,080.0 million). The properties portfolio is comprised of the five Initial Hotels, the iclub Sheung Wan Hotel and the non-hotel portions of iclub Wan Chai Hotel that are classified as investment properties and the owner-operated hotel portion of iclub Wan Chai Hotel which is classified as property, plant and equipment.

Valuations of the properties as at 30th June, 2014 are tabulated below.

Property	Location	30 Jun 2014 Valuation HK\$ million	31 Dec 2013 Valuation HK\$ million	% Change
<i>Initial Hotels:</i>				
Regal Airport Hotel	Lantau Island	3,480	3,440	+1.2%
Regal Hongkong Hotel	HK Island	4,290	4,290	–
Regal Kowloon Hotel	Kowloon	5,510	5,480	+0.5%
Regal Oriental Hotel	Kowloon	2,200	2,230	-1.3%
Regal Riverside Hotel	New Territories	4,800	4,760	+0.8%
		20,280	20,200	+0.4%
iclub Wan Chai Hotel	HK Island	889	880	+1.0%
iclub Sheung Wan Hotel	HK Island	1,580	N/A	N/A
Overall properties portfolio		22,749	21,080	+7.9%

The valuation of the properties portfolio as at 30th June, 2014 was conducted by Savills Valuation and Professional Services Limited (“Savills”), the principal valuer of Regal REIT appointed by the Trustee pursuant to the provisions of the Code on Real Estate Investment Trusts (the “REIT Code”).

Savills, 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 (2012 Edition)”, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the REIT Code. Savills 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.

Net Asset Value

As at 30th June, 2014, the net asset value (the “NAV”) per Unit attributable to Unitholders amounted to HK\$4.858, as compared to HK\$4.843 per Unit as at 31st December, 2013.

Capital Additions Projects

A total of around 310 guestrooms and suites in the five Initial Hotels were scheduled to be taken out of operation at different times in 2014 for renovation and upgrading work under an ongoing asset enhancement programme and, in this regard, the renovation work for 140 rooms has been completed on or before 30th June, 2014 and put back in operation. In addition, certain engineering facilities and replacement work project has also been planned.

Financial Review and Financing Strategy

At 30th June, 2014, Regal REIT had unsecured notes due in 2018 for an aggregate nominal principal amount of HK\$1,937.8 million and bank loan facilities of up to HK\$5,930.0 million with different maturity terms.

Regal REIT Medium Term Note Programme and Notes Issuance

In January 2013, Regal REIT announced the establishment and listing of a US\$1.0 billion medium term note programme (the "MTN Programme"), which was intended to serve as a funding platform to finance the planned expansion of Regal REIT.

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

The payments of the deposit and the refundable cash collateral were effected on 22nd July, 2013 after approval of the transactions by the independent Unitholders. According to the terms of the share purchase agreement and the option agreement, P&R Holdings paid interest quarterly to Regal REIT at a rate of 4.3047% per annum on the deposit and the refundable cash collateral, from the dates of payment by Regal REIT up to the respective dates when the deposit or the refundable cash collateral were refunded to the Trustee. As at 30th June, 2014, only the refundable cash collateral of HK\$990.0 million remained on deposit.

Loan Financing

As at 30th June, 2014, Regal REIT had loan facilities aggregating HK\$5,930.0 million, comprised of term and revolving loan facilities of HK\$4,800.0 million secured by three of the five Initial Hotels, a loan facility of HK\$340.0 million secured by the iclub Wan Chai Hotel, and term and revolving loan facilities of up to HK\$790.0 million secured by the iclub Sheung Wan Hotel.

Financing for the Initial Hotels

The agreement for a term loan facility up to HK\$4,500.0 million and a revolving facility of up to HK\$300.0 million (the "2013 Loan Facilities") was entered into on 23rd July, 2013 by Regal REIT, through its wholly-owned subsidiaries, namely, Bauhinia Hotels Limited and Rich Day Investments Limited as the borrowers, for a term of five years to July 2018, and is secured by three of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. The 2013 Loan Facilities bear HIBOR-based interest. As at 30th June, 2014, the outstanding amount on the 2013 Loan Facilities was HK\$4,600.0 million, comprised of the full amount of the term loan facilities and HK\$100.0 million of the revolving facility.

Financing for iclub Wan Chai Hotel

Regal REIT, through its wholly-owned subsidiary, Sonnix Limited, has a bilateral loan facility of HK\$340.0 million (the “iclub Facility”) for iclub Wan Chai Hotel (formerly known as “Regal iClub Hotel”). The iclub Facility has a term of three years to February 2015. As at 30th June, 2014, the outstanding loan facility amounted to HK\$323.8 million.

Financing for iclub Sheung Wan Hotel

On 10th February, 2014, Regal REIT, through its wholly-owned subsidiary, Tristan Limited, arranged for another bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving facility of HK\$158.0 million, for the iclub Sheung Wan Hotel (the “2014 SW Facilities”). The 2014 SW Facilities have a term of 5 years to February 2019. As at 30th June, 2014, the utilized 2014 SW Facilities were comprised of the full term loan amount and HK\$100.0 million under the revolving facility.

Managing Fluctuations in Interest Rates

In order to hedge against fluctuations in interest rates, Regal REIT maintains certain interest rate swap arrangements. As at 30th June, 2014, the interest costs for approximately 51% of the debt exposure in respect of the aggregate loan facilities has been set at fixed rates through various plain vanilla interest rate swaps against floating HIBOR. The fixed rates payable to the hedging banks range from 0.355% per annum to 0.483% per annum, with maturities up to March 2015.

Gearing and Cash

As at 30th June, 2014, the gearing ratio of Regal REIT was 31.8%, being the gross amount of the outstanding loans and debts aggregating HK\$7,593.6 million, which takes into account: (a) the debts in relation to the March 2013 Notes and the May 2013 Notes issued under the MTN Programme for an aggregate amount of HK\$1,937.8 million; (b) the 2013 Loan Facilities of HK\$4,600.0 million; (c) the iclub Facility of HK\$323.8 million; and (d) the 2014 SW Facilities of HK\$732.0 million, as compared to the total gross assets of Regal REIT of HK\$23,896.8 million, which is below the maximum 45% permitted under the REIT Code.

Regal REIT had a total of HK\$52.7 million in unrestricted and HK\$43.8 million in restricted cash balances and bank deposits, and unutilized revolving facilities of HK\$258.0 million as at 30th June, 2014. Regal REIT maintains sufficient cash reserves and receives timely payments of rental income to satisfy its financial commitments and working capital requirements on an on-going basis.

As at 30th June, 2014, five of Regal REIT’s properties, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Riverside Hotel, iclub Wan Chai Hotel and iclub Sheung Wan Hotel, with an aggregate carrying value of HK\$15,039 million, were pledged to secure bank loan facilities granted to Regal REIT.

OTHER INFORMATION AND DISCLOSURES

PUBLIC FLOAT

As at 30th June, 2014, the total number of Units outstanding was 3,257,431,189. Refer to note 20 to the condensed consolidated financial statements on page 54.

As at 30th June, 2014, 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.

BUY-BACK, SALE OR REDEMPTION OF UNITS

During the Interim Period, there was no buy-back, sale or redemption of Units.

MATERIAL ACQUISITIONS OR DISPOSALS OF REAL ESTATE

Saved as disclosed herein in relation to the completion of the acquisition of iclub Sheung Wan Hotel from P&R Holdings on 10th February, 2014, Regal REIT did not enter into any real estate acquisition or disposal transactions during the Interim Period.

SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

Subsequent to the Interim Period, on 28th July, 2014, Regal REIT further completed the acquisition of another new hotel located at Nos. 14-20 Merlin Street, North Point, Hong Kong, at a total consideration of approximately HK\$1,651.4 million, comprised of the final exercise price of HK\$1,650.0 million and a current assets adjustment of approximately HK\$1.4 million (the "NP Transaction"). This new hotel will be named as "iclub Fortress Hill Hotel" under the "iclub by Regal" brand. This hotel was designed to consist of 338 guestrooms.

Upon completion of the NP Transaction, the iclub Fortress Hill Hotel was leased to the RHIHL Lessee for use in hotel operations for the period from 28th July, 2014 to 31st December, 2019 under a new lease agreement, which is extendable at the option of Regal REIT for a further 5 years. The Hotel Manager of the Initial Hotels, iclub Wan Chai Hotel and iclub Sheung Wan Hotel was also appointed as the hotel manager for the operation of the iclub Fortress Hill Hotel under a 10-year hotel management agreement commencing on 28th July, 2014. Hotel operations of the iclub Fortress Hill Hotel are anticipated to commence in September 2014.

Concurrently, new 5-year loan facilities aggregating HK\$825.0 million (the "2014 FH Facilities"), comprised of (a) a term loan facility of up to HK\$660.0 million; and (b) a revolving loan facility of up to HK\$165.0 million, was granted by a bank under a facility agreement entered into by Wise Decade Investments Limited (the direct holding company of the iclub Fortress Hill Hotel, which became a wholly-owned subsidiary of Regal REIT upon completion of the NP Transaction on 28th July, 2014). The 2014 FH Facilities bear HIBOR-based interest.

References can be made to the related announcements dated 29th June, 2013, 18th July, 2013, 15th May, 2014, 14th July, 2014 and 28th July, 2014 and the related circular to Unitholders dated 29th June, 2013, as published by the REIT Manager, for further details of the NP Transaction.

Upon completion of the NP Transaction, the gearing ratio of Regal REIT is 33.6%. This calculation is based on the total asset value and total borrowings as at 30th June, 2014 and after taking into consideration (i) the balance of the final exercise price of HK\$1,650.0 million settled upon completion; and (ii) the drawdown amount of the 2014 FH Facilities at completion.

The REIT Manager seeks 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, five Non-executive Directors and four 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.

CHANGE OF INFORMATION OF DIRECTORS

Subsequent to publication of the 2013 annual report of Regal REIT, the REIT Manager has been informed of the following changes in Director's information:

Name of Director	Details of changes
Mr. Francis Chiu	– Resigned as an Executive Director and a member of the Disclosure Committee of the REIT Manager, both with effect from 1st August, 2014.
Mr. Johnny Chen Sing Hung	– Appointed as an Executive Director and a member of the Disclosure Committee of the REIT Manager, both with effect from 26th August, 2014.
Mr. John William Crawford	– Ceased to be an independent non-executive director and the chairman of the audit committee of Titan Petrochemicals Group Limited ("Titan"), a company listed on the Stock Exchange, both with effect from 27th February, 2014.
Hon. Abraham Shek Lai Him	– Resigned as an independent non-executive director of Hsin Chong Construction Group Limited, a company listed on the Stock Exchange, with effect from 12th May, 2014. – Ceased to be an independent non-executive director and a member of each of the audit committee, remuneration committee and nomination committee of Titan, all with effect from 27th February, 2014.

CONNECTED PARTY TRANSACTIONS

During the period under review, Regal REIT and the other companies or entities held or controlled by Regal REIT (collectively, the “Regal REIT Group”) 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 (“RHIHL”) (collectively, the “RHIHL Connected Persons Group”);
- (ii) the companies and entities held or controlled by Paliburg Holdings Limited (“PHL”) (collectively, the “PHL Connected Persons Group”);
- (iii) the Trustee and companies within the same group or otherwise “associated” with the Trustee (collectively, the “Trustee Connected Persons Group”); and
- (iv) Savills Valuation and Professional Services Limited (“Savills”), the principal valuer of Regal REIT, and companies within the same group or otherwise “associated” with Savills (collectively, the “Valuer Connected Persons Group”).

PHL CONNECTED PERSONS GROUP AND RHIHL CONNECTED PERSONS GROUP

(a) Share Purchase Agreement

On 28th June, 2013, Regal REIT, acting through the Trustee, entered into the Share Purchase Agreement with P&R Holdings Limited (“P&R Holdings”, a joint venture equally owned by PHL and RHIHL, in turn, being a member of the PHL Connected Persons Group and the RHIHL Connected Persons Group), PHL, RHIHL and the REIT Manager, pursuant to which the Trustee agreed to acquire 100% of the issued share capital and shareholder loans of Plentiful Investments Limited, a wholly-owned subsidiary of P&R Holdings, which indirectly through its wholly-owned subsidiary, Tristan Limited (the “iclub Sheung Wan Hotel – Property Company”), holds the new hotel located at Nos. 132-140 Bonham Strand, Sheung Wan (the “Sheung Wan Hotel”) then under development for a purchase price consideration of HK\$1,580.0 million, based on the valuation of the hotel property as of 25th June, 2013 by an independent property valuer on an as-completed basis. The SW transaction had received the approval by the independent Unitholders at an extraordinary general meeting held on 18th July, 2013.

On 10th February, 2014, Regal REIT completed the SW Transaction at a final total consideration of approximately HK\$1,581.1 million, comprising the purchase price of HK\$1,580.0 million and a current asset adjustment of HK\$1.1 million. The Sheung Wan Hotel was named as “iclub Sheung Wan Hotel” under the “iclub by Regal” brand. The 34-storey iclub Sheung Wan Hotel consists of 248 guestrooms comprising 223 standard rooms, 18 one-bedroom suites and 7 two-bedroom suites.

Upon completion of the SW Transaction, members of the Regal REIT Group entered into various connected party transactions with members of the RHIHL Connected Persons Group and PHL Connected Persons Group in relation to the deed of tax indemnity, the interior fit-out agency deed, the new lease agreement, the new lease guarantee and the new hotel management agreement in respect of the iclub Sheung Wan Hotel on 10th February, 2014. References can be made to the related announcements dated 29th June, 2013, 18th July, 2013 and 10th February, 2014 and the related circular to Unitholders dated 29th June, 2013, as published by the REIT Manager, for further details of the SW Transaction.

(b) Option Agreement

On 28th June, 2013, Regal REIT, acting through the Trustee, entered into the Option Agreement with P&R Holdings, a member of the PHL Connected Persons Group and the RHIHL Connected Persons Group, PHL, RHIHL and the REIT Manager, pursuant to which the Trustee was granted a call option (the "NP Option") entitling Regal REIT (or its trustee or nominee), at the REIT Manager's sole discretion, to acquire 100% of the issued share capital and shareholder loans of Fortune Mine Limited, a wholly-owned subsidiary of P&R Holdings, which indirectly through its wholly-owned subsidiary owns the new hotel located at Nos. 14-20 Merlin Street, North Point, Hong Kong (the "North Point Hotel"), then being developed by P&R Holdings, at an initial exercise price of HK\$1,650.0 million, based on the valuation of the property as of 25th June, 2013 by an independent property valuer on an as-completed basis (the "NP Transaction"). The NP Option had received the approval by an independent Unitholders at an extraordinary general meeting held on 18th July, 2013. The North Point Hotel was designed to consist of 32 storeys with 338 guestrooms. On 8th May, 2014, the REIT Manager and the Trustee received a notice from P&R Holdings that the occupation permit required under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for the North Point Hotel had been obtained. On 15th May, 2014, the Trustee (acting on the instructions of the REIT Manager) delivered the exercise notice to P&R Holdings to conditionally exercise the NP Option.

The updated valuation of the North Point Hotel as appraised by an independent property valuer as of 30th April, 2014 (being the last month end date before the grant of the occupation permit for the North Point Hotel) was HK\$1,650.0 million which was the same as the initial appraised value of the North Point Hotel. As a result, the final exercise price for the NP Option was set as HK\$1,650.0 million, subject to a current assets adjustment, the amount of which was to be notified by P&R Holdings shortly prior to completion of the NP Transaction and subject to the cap of HK\$1.5 million.

Subsequent to the Interim Period, RHIHL obtained further approval by its independent shareholders at a special general meeting held on 14th July, 2014 as required pursuant to the Listing Rules (as the post-exercise completion condition) for the exercise of the NP Option and completion of the NP Transaction. On 28th July, 2014, Regal REIT completed the NP Transaction at a final exercise price of HK\$1,650.0 million plus a current assets adjustment of approximately HK\$1.4 million. On completion of the NP Transaction, the Trustee (on behalf of Regal REIT) and/or the members of the Regal REIT Group entered into (i) the Deed of Tax Indemnity; (ii) the Interior Fit-Out Agency Deed; (iii) the New Lease Agreement; (iv) the New Lease Guarantee; and (v) the New Hotel Management Agreement with the members of the RHIHL Group and/or the PHL Group, all dated 28th July, 2014 and in the agreed form set out in the Option Agreement.

References can be made to the related announcements dated 29th June, 2013, 18th July, 2013, 10th February, 2014, 15th May, 2014, 14th July, 2014 and 28th July, 2014 and the related circular to Unitholders dated 29th June, 2013, as published by the REIT Manager, for further details of the NP Transaction.

(c) Vendor Facility Agreement

On 28th June, 2013, Regal REIT, acting through the Trustee (as borrower), entered into a facility letter (the "Vendor Facility Letter") in respect of the vendor facility (the "Vendor Facility"), which relates to a Hong Kong dollar two-year unsecured standby loan facility of up to an aggregate principal amount of HK\$1,457 million (which may be drawn down in two tranches), bearing an interest rate of 4.375% per annum, with such interest being payable quarterly, with P&R Finance Limited (as lender), a member of both the PHL Connected Persons Group and the RHIHL Connected Persons Group, pursuant to which in the event of any shortfall in the funding required for the completion of the SW Transaction and/or NP Transaction, Regal REIT may draw down on the Vendor Facility to fund the shortfall if the REIT Manager considers that other financing options with terms and conditions to its satisfaction cannot be secured at the time of completion of the SW Transaction and the NP Transaction, respectively. References can be made to the related announcements dated 29th June, 2013 and 18th July, 2013 and the related circular to Unitholders dated 29th June, 2013, as published by the REIT Manager, for further details of the Vendor Facility.

(d) SW Interior Fit-Out Agency Deed

To facilitate the carrying out of any work under the Interior Fit-Out Programme not completed as at completion of the SW Transaction, P&R Contracting Agency Limited (the "Interior Fit-Out Agent"), a member of the PHL Connected Persons Group and the RHIHL Connected Persons Group, PHL, RHIHL, the iclub Sheung Wan Hotel – Property Company and the REIT Manager entered into an interior fit-out agency deed (the "SW Interior Fit-Out Agency Deed") on 10th February, 2014, whereby the iclub Sheung Wan Hotel – Property Company appointed the Interior Fit-Out Agent to manage and settle the interior fit-out contracts on its behalf. The Interior Fit-Out Agent undertook indemnify the iclub Sheung Wan Hotel – Property Company from and against all costs, losses and liabilities arising from the Interior Fit-Out Contracts, and agreed to, among others, settle all payments on behalf of the iclub Sheung Wan Hotel – Property Company when due or payable and to procure that project managers, consultants and other professional advisers discharge their duties under the interior fit-out contracts. References can be made to the related announcements dated 29th June, 2013, 18th July, 2013 and 10th February, 2014 and the related circular to Unitholders dated 29th June, 2013, as published by the REIT Manager for further details of this connected party transaction.

(e) SW Deed of Tax Indemnity

At the completion date of the SW Transaction on 10th February, 2014, P&R Holdings, PHL, RHIHL, the Trustee (on behalf of Regal REIT), Plentiful Investments Limited and the iclub Sheung Wan Hotel – Property Company entered into a deed of tax indemnity (the "SW Deed of Tax Indemnity") in favour of (in respect of the Share Purchase Agreement in the SW Transaction) the Trustee, Plentiful Investments Limited and the iclub Sheung Wan Hotel – Property Company. Pursuant to the SW Deed of Tax Indemnity, P&R Holdings and PHL together with RHIHL as the Guarantors (on a several basis in equal proportions between the Guarantors) undertook and agreed with the respective beneficiaries that they will indemnify on demand the respective beneficiaries in respect of, among other things, any liabilities for taxation resulting from or by reference to any event occurring on or before completion of the SW Transaction or in respect of any income, profits or gains earned, accrued or received by Plentiful Investments Limited and/or the iclub Sheung Wan Hotel – Property Company on or before completion of the SW Transaction. P&R Holdings, PHL and RHIHL are the members of the PHL Connected Persons Group and/or the RHIHL Connected Persons Group and Plentiful Investments Limited and the iclub Sheung Wan Hotel - Property Company are the members of Regal REIT Group. References can be made to the related announcements dated 29th June, 2013, 18th July, 2013 and 10th February, 2014 and the related circular to Unitholders dated 29th June, 2013, as published by the REIT Manager for further details of this connected party transaction.

RHIHL CONNECTED PERSONS GROUP

(a) Initial Hotels Lease Agreements

Each of Bauhinia Hotels Limited, Cityability Limited, Gala Hotels Limited, Regal Riverside Hotel Limited and Ricobem Limited, in relation to Regal Airport Hotel, Regal Hongkong Hotel, Regal Oriental Hotel, Regal Riverside Hotel and 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 Initial Hotels Lease Agreements with Favour Link International Limited (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 Initial Hotels Lease Agreements are due to expire on 31st December, 2015 under their prevailing terms.

Under the terms of each Initial Hotels 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 Initial Hotels Lease Agreements, be retained by the RHIHL Lessee.

During the Interim Period, the total contractual lease income under the Initial Hotels Lease Agreements amounted to approximately HK\$414.7 million including Base Rent, Variable Rent and other rental income.

(b) Initial Hotels Management Agreements

Under the terms of each Initial Hotels 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 that, upon the expiry or termination of any Initial Hotels Lease Agreement, the Hotel Manager will continue to manage the relevant Initial Hotel in accordance with the Initial Hotels Management Agreement.

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

(c) Initial Hotels 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 Initial Hotels Lease Agreements, when the same become due, together with other charges and outgoings, interest, default interest, fees and costs. The lease guarantees (the "Initial Hotels Lease Guarantees") also contain an indemnity in respect of all guaranteed liabilities.

(d) Initial Hotels 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 “Initial Hotels 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.

(e) Wan Chai Hotel Management Agreement

On 23rd December, 2010, Regal REIT (via Sonnix Limited (the “iclub Wan Chai Hotel – Property Company”)) entered into the Wan Chai Hotel Management Agreement with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of iclub Wan Chai Hotel (formerly known as 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 iclub Wan Chai Hotel and an incentive fee which is equal to 5% of the excess of the gross operating profit of iclub Wan Chai Hotel over the base fee and certain fixed charges for each fiscal year during the term of the Wan Chai 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.

(f) SW Lease Agreement

The iclub Sheung Wan Hotel – Property Company entered into a lease agreement (the “SW Lease Agreement”) in relation to the leasing of the iclub Sheung Wan Hotel with the RHIHL Lessee on 10th February, 2014. The RHIHL Lessee is a member of the RHIHL Connected Persons Group. The term of the SW Lease Agreement expires on 31st December, 2019, which is extendable at the option of Regal REIT for a further 5 years. Under the terms of the SW Lease Agreement, the RHIHL Lessee makes lease payments to the iclub Sheung Wan Hotel – Property Company and is entitled to operate and manage the iclub Sheung Wan Hotel owned by the iclub Sheung Wan Hotel – Property Company and, accordingly, all income received from the iclub Sheung Wan Hotel shall, during the term of the SW Lease Agreement, be retained by the RHIHL Lessee. References can be made to the related announcements dated 29th June, 2013, 18th July, 2013 and 10th February, 2014 and the related circular to Unitholders dated 29th June, 2013, as published by the REIT Manager for further details of this connected party transaction.

During the period from the commencement date of the SW Lease Agreement on 10th February, 2014 to 30th June, 2014, the total contractual lease income under the SW Lease Agreement amounted to approximately HK\$30.8 million.

(g) SW Lease Guarantee

Pursuant to a lease guarantee entered into on 10th February, 2014 (the "SW Lease Guarantee"), RHIHL has guaranteed: (a) the RHIHL Lessee's obligations to pay to the iclub Sheung Wan Hotel – Property Company and the Trustee, on demand by the iclub Sheung Wan Hotel – Property Company or the Trustee (on behalf of Regal REIT and at the direction of the REIT Manager), all amounts (including, without limitation, all rents, other charges and outgoings, interest, default interest, fees and costs) from time to time owing or payable to the iclub Sheung Wan Hotel – Property Company under the SW Lease Agreement, and (b) the due observance and performance of, all terms, conditions, covenants, agreements and obligations contained in the SW Lease Agreement, and on the part of the RHIHL Lessee, to be observed and performed. References can be made to the related announcements dated 29th June, 2013, 18th July, 2013 and 10th February, 2014 and the related circular to Unitholders dated 29th June, 2013, as published by the REIT Manager for further details of this connected party transaction.

(h) SW Hotel Management Agreement

On 10th February, 2014, Regal REIT (via the iclub Sheung Wan Hotel – Property Company) entered into a new hotel management agreement (the "SW Hotel Management Agreement") with the Hotel Manager, a member of the RHIHL Connected Persons Group, in respect of the management of the business of iclub Sheung Wan Hotel for a 10-year term commencing on 10th February, 2014. The Hotel Manager engaged to act as the exclusive operator and manager of the iclub Sheung Wan Hotel to supervise, direct and control the management, operation and promotion of the business of the iclub Sheung Wan Hotel during the operating term of the SW Hotel Management Agreement. References can be made to the related announcements dated 29th June, 2013, 18th July, 2013 and 10th February, 2014 and the related circular to Unitholders dated 29th June, 2013, as published by the REIT Manager for further details of 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\$64.2 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.

Waivers from Strict Compliance

- (a) A waiver (the "Initial Hotels – 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 Initial Hotels Lease Agreements, Initial Hotels Management Agreements, Initial Hotels Lease Guarantees and Initial Hotels 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 Initial Hotels – RHIHL Connected Persons Group's Waiver.

- (b) On 17th July, 2013, the SFC granted (subject to the terms and conditions as set out in the announcement dated 18th July, 2013 published by the REIT Manager) a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the new lease agreements, the new lease guarantees and the new hotel management agreements in respect of the iclub Sheung Wan Hotel (the "SW Hotel – RHIHL Connected Persons Group's Waiver") and/or the North Point Hotel entered and/or to be entered into between members of Regal REIT Group and members of the RHIHL Connected Persons Group upon and after the completion of the SW Transaction and/or the NP Transaction.

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

TRUSTEE CONNECTED PERSONS GROUP

Corporate Finance Transactions

On 11th January, 2013, R-REIT International Finance Limited (the "Issuer"), a special purpose vehicle wholly-owned by Regal REIT, established a US\$1.0 billion medium term note (the "Notes") programme (the "MTN Programme"). The Notes may be issued by the Issuer from time to time, and will be guaranteed by the Trustee. A fiscal and paying agency agreement dated 11th January, 2013 relating to the MTN Programme was entered into by the Issuer, the Trustee (as guarantor), Deutsche Bank AG, Hong Kong Branch (as fiscal agent, transfer agent, paying agent and, in respect of each series of CMU Notes, as registrar), Deutsche Bank Luxembourg S.A. (as register in respect of each series of Notes other than the CMU Notes) and Deutsche Bank AG, Hong Kong Branch (as the CMU lodging and paying agent). Deutsche Bank Luxembourg S.A. and Deutsche Bank AG, Hong Kong Branch, both are members of the Trustee Connected Persons Group, provide registrar, fiscal, paying and transfer agency services to Regal REIT in connection with the MTN Programme and the Notes issued thereunder for an annual fee of US\$2,000.

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 year in the ordinary and usual course of business of the Regal REIT Group and on normal commercial terms.

The 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\$2.1 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.

VALUER CONNECTED PERSONS GROUP

Savills, a member of the Valuer Connected Persons Group, was appointed as the principal valuer of Regal REIT. During the Interim Period, an amount of approximately HK\$0.6 million in aggregate was charged by Savills for the rendering of valuation and other services.

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, 2014, 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, 2014 ^(x)
Century City International Holdings Limited ("CCIHL")	2,443,033,102 (Note i)	74.99%
Century City BVI Holdings Limited ("CCBVI")	2,443,033,102 (Notes i & ii)	74.99%
Paliburg Holdings Limited ("PHL")	2,440,346,102 (Notes iii & iv)	74.92%
Paliburg Development BVI Holdings Limited ("PDBVI")	2,440,346,102 (Notes iii & v)	74.92%
Regal Hotels International Holdings Limited ("RHIHL")	2,439,613,739 (Notes vi & vii)	74.89%
Regal International (BVI) Holdings Limited ("RBVI")	2,439,613,739 (Notes vi & viii)	74.89%
Complete Success Investments Limited	1,817,012,072 (Note ix)	55.78%
Great Prestige Investments Limited	373,134,326 (Note ix)	11.45%

Notes:

- (i) The interests in 2,443,033,102 Units held by each of CCIHL and CCBVI were the same parcel of Units, which were directly held by wholly-owned subsidiaries of CCBVI, PDBVI, RBVI and Cosmopolitan International Holdings Limited ("Cosmopolitan"), 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 2,440,346,102 Units held by each of the PHL and PDBVI were the same parcel of Units, which were directly held by wholly-owned subsidiaries of PDBVI, RBVI and Cosmopolitan, respectively.

- (iv) PHL is a listed subsidiary of CCBVI, which held an approximately 62.21% shareholding interest in PHL as at 30th June, 2014, and its interests in Units are deemed to be the same interests held by CCBVI.
- (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) The interests in 2,439,613,739 Units held by each of RHIHL and RBVI were the same parcel of Units, which were directly held by wholly-owned subsidiaries of RBVI and Cosmopolitan, respectively.
- (vii) RHIHL is a listed subsidiary of PDBVI, which held an approximately 61.77% shareholding interest in RHIHL as at 30th June, 2014, and its interests in Units are deemed to be the same interests held by PDBVI.
- (viii) RBVI is a wholly-owned subsidiary of RHIHL and its interests in Units are deemed to be the same interests held by RHIHL.
- (ix) 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.
- (x) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 30th June, 2014.

Save as disclosed herein, there were no other persons who, as at 30th June, 2014, had interests 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, 2014, 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:

Name of the REIT Manager and Director of the REIT Manager	Total number of issued Units held	Approximate percentage of the issued Units as at 30th June, 2014⁽ⁱⁱⁱ⁾
LO Yuk Sui	2,443,033,102 (Note i)	74.99%
Regal Portfolio Management Limited	120,381,598 (Note ii)	3.70%

Notes:

- (i) The interests in 2,443,033,102 Units were the same parcel of Units held through CCIHL, in which Mr. Lo Yuk Sui held approximately 58.24% shareholding interest as at 30th June, 2014.
- (ii) Regal Portfolio Management Limited is the manager of Regal REIT (as defined under the REIT Code).
- (iii) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at 30th June, 2014.

Save as disclosed herein, as at 30th June, 2014, 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 for the interests of the Significant Unitholders, the REIT Manager and the Director of the REIT Manager (also being the Connected Persons of Regal REIT) in Units as disclosed herein, the REIT Manager is not aware of any other Connected Persons of Regal REIT holding any Units.

PERFORMANCE TABLE

As at 30th June, 2014

		Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	Notes	30th June, 2014	30th June, 2013	30th June, 2012	30th June, 2011	30th June, 2010
Net assets attributable to Unitholders (HK\$'million)		15,825.4	15,975.2	13,174.2	11,680.5	9,427.5
Net asset value per Unit attributable to Unitholders (HK\$)		4.858	4.904	4.044	3.586	2.918
The highest traded price during the period (HK\$)	1	2.32	2.75	2.18	2.66	1.98
The lowest traded price during the period (HK\$)		1.98	2.15	1.68	2.24	1.65
The highest discount of the traded price to net asset value per Unit attributable to Unitholders		59.24%	56.16%	58.46%	37.53%	43.45%
Distribution yield per Unit	2	3.54%	2.85%	3.50%	2.25%	4.70%

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, 2014 is calculated by dividing the interim distribution per Unit of HK\$0.074 over the closing price of HK\$2.09 as at 30th June, 2014, 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 36.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June, 2014

	Notes	Six months ended 30th June, 2014 (unaudited) HK\$'000	Six months ended 30th June, 2013 (unaudited) HK\$'000
Revenue			
Gross rental revenue	4	447,828	394,319
Gross hotel revenue	4	21,482	20,990
		<u>469,310</u>	<u>415,309</u>
Property and hotel operating expenses		<u>(14,939)</u>	<u>(14,587)</u>
Net rental and hotel income	4	454,371	400,722
Interest income and others	5	26,311	1,692
Depreciation	11	(4,241)	(4,164)
Fair value changes on investment properties	12	73,964	124,793
REIT Manager fees	6	(64,244)	(43,848)
Trust, professional and other expenses	7	(6,389)	(11,197)
Finance costs - excluding distribution to Unitholders	8	<u>(103,770)</u>	<u>(86,616)</u>
PROFIT BEFORE TAX AND DISTRIBUTION TO UNITHOLDERS		376,002	381,382
Income tax expense	9	<u>(56,393)</u>	<u>(45,974)</u>
PROFIT FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS		319,609	335,408
Finance costs - distribution to Unitholders		<u>(270,367)</u>	<u>(250,822)</u>
PROFIT FOR THE PERIOD, AFTER DISTRIBUTION TO UNITHOLDERS		<u>49,242</u>	<u>84,586</u>
EARNINGS PER UNIT ATTRIBUTABLE TO UNITHOLDERS			
Basic and diluted	10	<u>HK\$0.098</u>	<u>HK\$0.103</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2014

	Notes	Six months ended 30th June, 2014 (unaudited) HK\$'000	Six months ended 30th June, 2013 (unaudited) HK\$'000
PROFIT FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS		319,609	335,408
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Changes in fair value of cash flow hedges		(4,395)	4,807
Transfer from hedging reserve to condensed consolidated statement of profit or loss		<u>3,118</u>	<u>2,903</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		<u>(1,277)</u>	<u>7,710</u>
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Gain/(loss) on revaluation of property	11	3,993	(57,622)
Income tax effect	19	<u>(659)</u>	<u>9,508</u>
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		<u>3,334</u>	<u>(48,114)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		<u>2,057</u>	<u>(40,404)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, BEFORE DISTRIBUTION TO UNITHOLDERS		<u>321,666</u>	<u>295,004</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2014

	Notes	30th June, 2014 (unaudited) HK\$'000	31st December, 2013 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	700,000	700,000
Investment properties	12	22,049,000	20,380,000
Deposit		–	948,000
Total non-current assets		<u>22,749,000</u>	<u>22,028,000</u>
Current assets			
Accounts receivable	13	38,257	54,897
Prepayments, deposits and other receivables		1,012,291	1,018,293
Due from related companies		711	209
Tax recoverable		–	1,470
Restricted cash	14	43,813	51,868
Cash and cash equivalents		52,739	48,214
Total current assets		<u>1,147,811</u>	<u>1,174,951</u>
Total assets		<u>23,896,811</u>	<u>23,202,951</u>
Current liabilities			
Accounts payable	15	62,073	131,936
Deposits received		124	2,673
Other payables and accruals		30,516	38,403
Interest-bearing bank borrowings	16	522,238	154,794
Derivative financial instruments	18	5,347	–
Tax payable		28,097	7,818
Total current liabilities		<u>648,395</u>	<u>335,624</u>
Net current assets		<u>499,416</u>	<u>839,327</u>
Total assets less current liabilities		<u>23,248,416</u>	<u>22,867,327</u>

	Notes	30th June, 2014 (unaudited) HK\$'000	31st December, 2013 (audited) HK\$'000
Non-current liabilities, excluding net assets attributable to Unitholders			
Interest-bearing bank borrowings	16	5,073,731	4,762,627
Other borrowings	17	1,924,051	1,922,720
Derivative financial instruments	18	—	4,076
Deposits received		2,653	—
Deferred tax liabilities	19	422,546	403,768
		<u>7,422,981</u>	<u>7,093,191</u>
Total non-current liabilities		7,422,981	7,093,191
Total liabilities, excluding net assets attributable to Unitholders			
		<u>8,071,376</u>	<u>7,428,815</u>
Net assets attributable to Unitholders			
		<u>15,825,435</u>	<u>15,774,136</u>
Number of Units in issue			
	20	<u>3,257,431,189</u>	<u>3,257,431,189</u>
Net asset value per Unit attributable to Unitholders			
	21	<u>HK\$4.858</u>	<u>HK\$4.843</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the six months ended 30th June, 2014

	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, 2014	8,432,356	15,876	(2,774)	229,769	7,098,909	15,774,136
Profit for the period	—	—	—	—	319,609	319,609
Other comprehensive income/(loss) for the period:						
Cash flow hedges	—	—	(1,277)	—	—	(1,277)
Gain on revaluation of property, net of tax	—	—	—	3,334	—	3,334
Total comprehensive income for the period, before distribution to Unitholders	—	—	(1,277)	3,334	319,609	321,666
Transfer of depreciation on hotel properties	—	—	—	(1,133)	1,133	—
Finance costs - distribution to Unitholders	—	—	—	—	(270,367)	(270,367)
Net assets as at 30th June, 2014	<u>8,432,356</u>	<u>15,876</u>	<u>(4,051)</u>	<u>231,970</u>	<u>7,149,284</u>	<u>15,825,435</u>

For the six months ended 30th June, 2013

	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, 2013	8,432,356	15,876	(1,497)	261,163	7,223,148	15,931,046
Profit for the period	—	—	—	—	335,408	335,408
Other comprehensive income/(loss) for the period:						
Cash flow hedges	—	—	7,710	—	—	7,710
Loss on revaluation of property, net of tax	—	—	—	(48,114)	—	(48,114)
Total comprehensive income for the period, before distribution to Unitholders	—	—	7,710	(48,114)	335,408	295,004
Transfer of depreciation on hotel properties	—	—	—	(1,285)	1,285	—
Finance costs - distribution to Unitholders	—	—	—	—	(250,822)	(250,822)
Net assets as at 30th June, 2013	<u>8,432,356</u>	<u>15,876</u>	<u>6,213</u>	<u>211,764</u>	<u>7,309,019</u>	<u>15,975,228</u>

DISTRIBUTION STATEMENT

For the six months ended 30th June, 2014

	Notes	Six months ended 30th June, 2014 (unaudited) HK\$'000	Six months ended 30th June, 2013 (unaudited) HK\$'000
Profit for the period, before distribution to Unitholders		319,609	335,408
Adjustments:			
Amounts set aside for furniture, fixtures and equipment reserve	(e)	(19,822)	(18,191)
Amortisation of debt establishment costs		8,880	12,482
Fair value changes on investment properties		(73,964)	(124,793)
Depreciation		4,241	4,164
Foreign exchange differences, net		(448)	—
Deferred tax charge		18,119	13,654
Distributable income for the period	(a)	256,615	222,724
Distribution per Unit	(a),(b),(c)&(d)	HK\$0.074	HK\$0.067

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 and the current policy of the REIT Manager is to comply with such requirement.
- 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\$0.074 per Unit for the six months ended 30th June, 2014 (six months ended 30th June, 2013: HK\$0.067 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 17th September, 2014 in respect of the interim distribution for the six months ended 30th June, 2014. This interim distribution will be paid out to Unitholders on or about 8th October, 2014.
- (c) The number of Units expected to be entitled to distribution for the period from 1st January, 2014 to 30th June, 2014 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 financial statements but before the Record Date.
- (d) The interim distribution of HK\$0.074 per Unit for the six months ended 30th June, 2014, involving a total distribution of HK\$241.0 million, was resolved and declared by the REIT Manager on 26th August, 2014. Accordingly, the distribution is not reflected as a distribution payable in the condensed consolidated financial statements and will be reflected in the consolidated financial statements for the year ending 31st December, 2014.
- (e) Amounts set aside by Regal REIT for the furniture, fixtures and equipment reserve ("FF&E Reserve") with 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 iclub Wan Chai Hotel aggregated HK\$19.8 million (six months ended 30th June, 2013: HK\$18.2 million).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2014

	Six months ended 30th June, 2014 (unaudited) HK\$'000	Six months ended 30th June, 2013 (unaudited) HK\$'000
Net cash flows from operating activities	209,746	338,421
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(248)	(1,786)
Additions to investment properties	(15,036)	(53,207)
Acquisition of investment property	(1,580,000)	—
Decrease in deposits	948,000	—
Decrease/(increase) in restricted cash	7,871	(8,781)
Interest received	33,772	—
Net cash flows used in investing activities	(605,641)	(63,774)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings, net of debt establishment costs	724,100	—
Repayment of bank borrowings	(53,600)	(3,600)
Increase in other borrowings, net of debt establishment costs	—	1,920,457
Distribution paid	(270,367)	(250,822)
Decrease/(increase) in restricted cash	287	(429)
Net cash flows from financing activities	400,420	1,665,606
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,525	1,940,253
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	48,214	25,364
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	52,739	1,965,617
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	52,739	813,910
Time deposits with original maturities of less than three months when acquired	—	1,151,707
	52,739	1,965,617

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

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 premises) 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 registered offices of the REIT Manager and the Trustee are located at Unit No. 2001, 20th 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 financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. In addition, the condensed consolidated 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 financial statements have been prepared on the historical cost basis, except for property, plant and equipment, investment properties and derivative financial instruments which have been measured at fair value. These condensed consolidated financial statements are presented in Hong Kong dollars, the functional currency of Regal REIT, and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the Group's annual periods beginning on or after 1st January, 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> – <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets</i> – <i>Recoverable Amount Disclosures for Non-Financial Assets</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> – <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of the new and revised HKFRSs have had no significant financial effect on these condensed consolidated financial statements.

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 the above-mentioned purposes, is mainly focused on the segment results related to the nature of properties, namely, the hotel properties and the mixed use property. For management purposes, the two reportable operating segments are (i) the hotel properties segment which invested in the Initial Hotels and the iclub Sheung Wan Hotel; and (ii) the mixed use property segment which invested in the iclub Wan Chai Hotel, which is made up of the hotel portion and non-hotel portions.

The operating segments of the Group for the six months ended 30th June, 2014 are as follows:

	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue			
Gross rental revenue	445,504	2,324	447,828
Gross hotel revenue	—	21,482	21,482
Total	<u>445,504</u>	<u>23,806</u>	<u>469,310</u>
Segment results	<u>439,984</u>	<u>14,387</u>	454,371
Fair value changes on investment properties	64,964	9,000	73,964
Depreciation	—	(4,241)	(4,241)
Interest income and others			26,311
REIT Manager fees			(64,244)
Trust, professional and other expenses			(6,389)
Finance costs - excluding distribution to Unitholders			<u>(103,770)</u>
Profit before tax and distribution to Unitholders			<u>376,002</u>

The operating segments of the Group for the six months ended 30th June, 2013 were as follows:

	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Segment revenue			
Gross rental revenue	391,885	2,434	394,319
Gross hotel revenue	—	20,990	20,990
Total	<u>391,885</u>	<u>23,424</u>	<u>415,309</u>
Segment results	<u>386,653</u>	<u>14,069</u>	400,722
Fair value changes on investment properties	116,793	8,000	124,793
Depreciation	—	(4,164)	(4,164)
Interest income and others			1,692
REIT Manager fees			(43,848)
Trust, professional and other expenses			(11,197)
Finance costs - excluding distribution to Unitholders			(86,616)
Profit before tax and distribution to Unitholders			<u>381,382</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, 2014, the Group's segment assets, comprised of the 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\$21,860,000,000 (31st December, 2013: HK\$20,200,000,000) and HK\$889,000,000 (31st December, 2013: HK\$880,000,000), respectively.

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

Other segment information

	Six months ended 30th June, 2014		
	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Capital expenditures	<u>15,036</u>	<u>248</u>	<u>15,284</u>

	Six months ended 30th June, 2013		
	Hotel Properties (unaudited) HK\$'000	Mixed Use Property (unaudited) HK\$'000	Total (unaudited) HK\$'000
Capital expenditures	<u>53,207</u>	<u>1,786</u>	<u>54,993</u>

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

Information about a major customer

Revenue of HK\$445,504,000 (six months ended 30th June, 2013: HK\$391,885,000) was derived from the lease of the hotel properties to a single lessee which is a related company.

Geographical information

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

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:

	Six months ended 30th June, 2014 (unaudited) HK\$'000	Six months ended 30th June, 2013 (unaudited) HK\$'000
Gross rental revenue		
Rental income - Initial Hotels (Note)	409,349	386,809
- iclub Wan Chai Hotel - Non-hotel portions	2,324	2,434
- iclub Sheung Wan Hotel	30,800	—
Other income	5,355	5,076
	<u>447,828</u>	<u>394,319</u>
Property operating expenses	(5,772)	(5,471)
Net rental income	<u>442,056</u>	<u>388,848</u>
Gross hotel revenue	21,482	20,990
Hotel operating expenses	(9,167)	(9,116)
Net hotel income	<u>12,315</u>	<u>11,874</u>
Net rental and hotel income	<u><u>454,371</u></u>	<u><u>400,722</u></u>

Note:

An analysis of the rental income is as follows:

	Six months ended 30th June, 2014 (unaudited) HK\$'000	Six months ended 30th June, 2013 (unaudited) HK\$'000
Base Rent	371,500	367,000
Variable Rent	37,849	19,809
	<u>409,349</u>	<u>386,809</u>

5. INTEREST INCOME AND OTHERS

	Six months ended 30th June, 2014 (unaudited) HK\$'000	Six months ended 30th June, 2013 (unaudited) HK\$'000
Bank interest income	146	1,674
Interest income on deposits	25,717	—
Foreign exchange differences, net	448	3
Sundry	—	15
	<u>26,311</u>	<u>1,692</u>

6. REIT MANAGER FEES

	Six months ended 30th June, 2014 (unaudited) HK\$'000	Six months ended 30th June, 2013 (unaudited) HK\$'000
Base Fees	34,525	31,541
Variable Fees	13,919	12,307
Acquisition Fee	15,800	—
	<u>64,244</u>	<u>43,848</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/or 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;
- 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, iclub Wan Chai Hotel and iclub Sheung Wan Hotel, which is payable annually; and
- an acquisition fee (the "Acquisition Fee") not exceeding 1% of the purchase price of the real estate acquired by Regal REIT (pro-rated, if applicable, to the proportion of Regal REIT's interest in the real estate acquired).

For the financial year 2014, the REIT Manger elected to receive its Base Fees and Variable Fees in the form of cash, details of which can be referred to an announcement of Regal REIT published on 6th December, 2013.

7. TRUST, PROFESSIONAL AND OTHER EXPENSES

	Six months ended 30th June, 2014 (unaudited) HK\$'000	Six months ended 30th June, 2013 (unaudited) HK\$'000
Auditors' remuneration	930	860
Legal and other professional fees	3,006	7,258
Trustee fees	2,061	1,995
Other expenses	392	1,084
	6,389	11,197

8. FINANCE COSTS – EXCLUDING DISTRIBUTION TO UNITHOLDERS

	Six months ended 30th June, 2014 (unaudited) HK\$'000	Six months ended 30th June, 2013 (unaudited) HK\$'000
Total interest expenses on financial liabilities not at fair value through profit or loss:		
Interest expenses on interest-bearing bank borrowings wholly repayable within five years	50,971	56,550
Interest expenses on other borrowings wholly repayable within five years	40,452	14,431
Amortisation of debt establishment costs	8,880	12,482
	100,303	83,463
Fair value changes on derivative financial instruments		
– cash flow hedges (transfer from hedging reserve)	3,118	2,903
Loan commitment fees	349	—
Loan agency fee	—	250
	103,770	86,616

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June, 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30th June, 2014 (unaudited) HK\$'000	Six months ended 30th June, 2013 (unaudited) HK\$'000
Charge for the period	38,274	32,320
Deferred (note 19)	18,119	13,654
Total tax charge for the period	56,393	45,974

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 HK\$319,609,000 (six months ended 30th June, 2013: HK\$335,408,000), and the weighted average of 3,257,431,189 Units (six months ended 30th June, 2013: 3,257,431,189 Units) in issue during the period. The basic earnings per Unit attributable to Unitholders for the period amounted to HK\$0.098 (six months ended 30th June, 2013: HK\$0.103).

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 (six months ended 30th June, 2013: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK\$'000
At 1st January, 2013	740,000
Additions	3,023
Deficit on revaluation	(34,876)
Depreciation provided during the year	(8,147)
	<hr/>
At 31st December, 2013 (audited) and 1st January, 2014	700,000
Additions	248
Surplus on revaluation	3,993
Depreciation provided during the period	(4,241)
	<hr/>
At 30th June, 2014 (unaudited)	<u>700,000</u>

The Group's property, plant and equipment represents the value of land and building together with furniture, fixtures and equipment of iclub Wan Chai Hotel for the hotel portion. The REIT Manager has determined that the property, plant and equipment constitute one class of asset (i.e. hotel property) based on the nature, characteristics and risks of the property. The property, plant and equipment was revalued by Savills Valuation and Professional Services Limited ("Savills"), an independent professional property valuer and the principal valuer of Regal REIT, at HK\$700,000,000 as at 30th June, 2014. A revaluation surplus of HK\$3,993,000 resulting from the 30th June, 2014 valuation has been credited to other comprehensive income.

The property, plant and equipment is classified as Level 3 in the fair value hierarchy.

The iclub Wan Chai Hotel is situated in Hong Kong, 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 HK\$422,191,000 had such assets been stated in the condensed consolidated financial statements at cost less accumulated depreciation.

Further particulars of the Group's hotel properties are included on page 64.

12. INVESTMENT PROPERTIES

The REIT Manager has determined that the investment properties constitute two classes of asset (i.e. hotel and commercial properties) based on the nature, characteristics and risks of each property.

	Hotel properties HK\$'000	Commercial properties HK\$'000	Total HK\$'000
At 1st January, 2013	20,130,000	162,000	20,292,000
Fair value changes	(108,749)	18,000	(90,749)
Capital expenditures for the year	178,749	—	178,749
	<hr/>	<hr/>	<hr/>
At 31st December, 2013 (audited) and 1st January, 2014	20,200,000	180,000	20,380,000
Addition (note 22)	1,580,000	—	1,580,000
Fair value changes	64,964	9,000	73,964
Capital expenditures for the period	15,036	—	15,036
	<hr/>	<hr/>	<hr/>
At 30th June, 2014 (unaudited)	<u>21,860,000</u>	<u>189,000</u>	<u>22,049,000</u>

The Group's investment properties were revalued by Savills, an independent professional property valuer and the principal valuer of Regal REIT, at HK\$22,049,000,000 as at 30th June, 2014. The investment properties are leased to a related party and other commercial tenants under operating leases, further details of which are included in note 23(a) to the condensed consolidated financial statements.

The investment properties are classified as Level 3 in the fair value hierarchy.

The Group's investment properties are situated in Hong Kong and are held under medium to long term leases. Three of the five Initial Hotels, namely Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel, together with iclub Sheung Wan Hotel have been pledged to secure banking facilities granted to the Group (note 16).

Further particulars of the Group's investment properties are included on pages 63 to 64.

13. ACCOUNTS RECEIVABLE

	30th June, 2014 (unaudited) HK\$'000	31st December, 2013 (audited) HK\$'000
Variable Rent receivables	37,849	53,688
Other accounts receivable	408	1,209
	<hr/> 38,257 <hr/>	<hr/> 54,897 <hr/>

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

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

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

14. RESTRICTED CASH

The restricted cash of the Group was restricted for utilization mainly for the purposes of servicing finance costs and repayments on certain interest-bearing bank borrowings, funding the FF&E Reserve for use in the Initial Hotels and iclub Wan Chai Hotel - Hotel portion, and deposits from certain tenants in respect of iclub Wan Chai Hotel - Non-hotel portions.

15. ACCOUNTS PAYABLE

	30th June, 2014 (unaudited) HK\$'000	31st December, 2013 (audited) HK\$'000
Amounts due to related companies	61,214	131,792
Other accounts payable	859	144
	<u>62,073</u>	<u>131,936</u>

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

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

16. INTEREST-BEARING BANK BORROWINGS

	30th June, 2014 (unaudited) HK\$'000	31st December, 2013 (audited) HK\$'000
Interest-bearing bank borrowings	5,655,800	4,977,400
Debt establishment costs	(59,831)	(59,979)
	<u>5,595,969</u>	<u>4,917,421</u>
Portion classified as current liabilities	(522,238)	(154,794)
Non-current portion	<u>5,073,731</u>	<u>4,762,627</u>
Analysed into bank loans repayable:		
Within one year	522,238	154,794
In the second year	—	319,841
In the third to fifth years, inclusive	5,073,731	4,442,786
	<u>5,595,969</u>	<u>4,917,421</u>

The agreement for a term loan facility up to HK\$4,500.0 million and a revolving facility of up to HK\$300.0 million (the "2013 Loan Facilities") was entered into on 23rd July, 2013 by Regal REIT, through its wholly-owned subsidiaries, namely, Bauhinia Hotels Limited and Rich Day Investments Limited as the borrowers, for a term of five years to July 2018, and is secured by three of the five Initial Hotels, namely, Regal Airport Hotel, Regal Hongkong Hotel and Regal Riverside Hotel. As at 30th June, 2014, the outstanding amount on the 2013 Loan Facilities was HK\$4,600.0 million, comprised of the full amount of the term loan facilities and HK\$100.0 million of the revolving facility. The term loan facility was wholly used to early refinance the previous term loan facility for the same principal amount, while the revolving facility is being used for general corporate funding needs of Regal REIT. The Group entered into interest rate swap arrangements to hedge against interest rate exposure for the term loan facility for a notional amount of HK\$3.0 billion, details of which are set out in note 18.

Regal REIT, through its wholly-owned subsidiary, Sonnix Limited, has a bilateral loan facility of HK\$340.0 million (the "iclub Facility") for iclub Wan Chai Hotel. The iclub Facility has a term of three years to February 2015 and has no interest rate hedging in place. As at 30th June, 2014, the outstanding loan facility amounted to HK\$323.8 million, of which HK\$3.6 million is repayable quarterly and the balance of HK\$320.2 million is due on 24th February, 2015.

On 10th February, 2014, Regal REIT, through its wholly-owned subsidiary, Tristan Limited, arranged for another bilateral loan facility of up to HK\$790.0 million, comprised of a term loan facility of HK\$632.0 million and a revolving facility of HK\$158.0 million, for the iclub Sheung Wan Hotel (the "2014 SW Facilities"). The 2014 SW Facilities have a term of 5 years to February 2019 and has no interest rate hedging in place. As at 30th June, 2014, the utilized 2014 SW Facilities were comprised of the full term loan amount and HK\$100.0 million under the revolving facility.

The loan facilities bear interest at the Hong Kong Interbank Offered Rates plus an interest margin ranging from 1.45% per annum to 2.6% per annum.

Bank borrowings under the 2013 Loan Facilities, the iclub Facility and the 2014 SW Facilities are guaranteed by Regal REIT and certain individual companies of the Group on a joint and several basis.

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 of the Group, 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. OTHER BORROWINGS

	30th June, 2014 (unaudited) HK\$'000	31st December, 2013 (audited) HK\$'000
Other borrowings repayable in the third to fifth years, inclusive, at nominal amounts	1,937,800	1,938,250
Discount and issue costs	(13,749)	(15,530)
	<u>1,924,051</u>	<u>1,922,720</u>

Subsequent to the establishment and listing of the US\$1 billion medium term note programme, in March 2013, a series of unsecured 5-year term notes for an aggregate amount of HK\$775.0 million at a coupon interest rate of 4.125% per annum were issued. The notes were issued at 99.44% of the nominal amount after discount. In May 2013, another series of unsecured 5-year term notes for an aggregate amount of US\$150.0 million at a coupon interest rate of 4.10% per annum were issued. The notes were issued at 99.553% of the nominal amount after discount.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	Liabilities	
	30th June, 2014 (unaudited) HK\$'000	31st December, 2013 (audited) HK\$'000
Interest rate swaps - cash flow hedges	<u>5,347</u>	<u>4,076</u>

The Group uses interest rate swaps to minimise its exposure to movements in interest rates in relation to a certain portion of its floating rate term loans. As at 30th June, 2014, the interest rate swaps had an aggregate notional amount of HK\$3.0 billion (31st December, 2013: HK\$3.0 billion) (note 16). These interest rate swaps mature on 9th March, 2015 and the fixed swap interest rates range from 0.355% per annum to 0.483% per annum (31st December, 2013: 0.355% per annum to 0.483% per annum) as at 30th June, 2014.

19. 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, 2013	(51,607)	(326,783)	6,979	(371,411)
Deferred tax credited to other comprehensive income during the year	5,755	—	—	5,755
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	449	(37,719)	(842)	(38,112)
Gross deferred tax assets/(liabilities) at 31st December, 2013 (audited)	<u>(45,403)</u>	<u>(364,502)</u>	<u>6,137</u>	<u>(403,768)</u>
Gross deferred tax assets/(liabilities) at 1st January, 2014	(45,403)	(364,502)	6,137	(403,768)
Deferred tax charged to other comprehensive income during the period	(659)	—	—	(659)
Deferred tax credited/(charged) to the condensed consolidated statement of profit or loss during the period (note 9)	<u>224</u>	<u>(17,894)</u>	<u>(449)</u>	<u>(18,119)</u>
Gross deferred tax assets/(liabilities) at 30th June, 2014 (unaudited)	<u>(45,838)</u>	<u>(382,396)</u>	<u>5,688</u>	<u>(422,546)</u>

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

20. NUMBER OF UNITS IN ISSUE

	Number of Units	
	30th June, 2014 (unaudited)	31st December, 2013 (audited)
At beginning of the period/year and at end of the period/year	<u>3,257,431,189</u>	<u>3,257,431,189</u>

21. 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, 2014 of HK\$15,825,435,000 (31st December, 2013: HK\$15,774,136,000) by the number of Units in issue of 3,257,431,189 (31st December, 2013: 3,257,431,189) as at that date.

22. ACQUISITION OF INVESTMENT PROPERTY

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

23. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties, as set out in note 12, and certain other premises under operating lease arrangements. At 30th June, 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its lessees falling due as follows:

	30th June, 2014 (unaudited) HK\$'000	31st December, 2013 (audited) HK\$'000
Within one year	466,954	752,618
In the second to fifth years, inclusive	178,715	29,193
After five years	19,424	23,066
	<u>665,093</u>	<u>804,877</u>

Certain of the leases contain Base Rent and Variable Rent provisions.

Certain of the operating leases were entered into between the Group and a related company.

(b) As lessee

The Group leases certain premises under operating lease arrangements which have been negotiated for terms ranging from 1 to 12 years. At 30th June, 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2014 (unaudited) HK\$'000	31st December, 2013 (audited) HK\$'000
Within one year	8,048	8,677
In the second to fifth years, inclusive	29,136	29,193
After five years	19,424	23,066
	<u>56,608</u>	<u>60,936</u>

The operating leases were entered with a third party on behalf of a related company.

During the six months ended 30th June, 2014, the total minimum lease payments under operating leases in respect of land and buildings included in property and hotel operating expenses of HK\$4,456,000 (six months ended 30th June, 2013: HK\$4,257,000) were charged to the condensed consolidated statement of profit or loss.

24. COMMITMENTS

In addition to the operating lease commitments detailed in note 23(b) above, the Group had the following capital commitments in respect of its properties at the end of the reporting period:

	30th June, 2014 (unaudited) HK\$'000	31st December, 2013 (audited) HK\$'000
Authorised and contracted for	357	—
Authorised, but not contracted for	28,808	37,592
	29,165	37,592

25. CONNECTED AND RELATED PARTY TRANSACTIONS

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

Connected/related parties	Relationship with the Group
DB Trustees (Hong Kong) Limited	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 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
P&R Holdings Limited	A joint venture company held by the PHL Group and the RHIHL Group
Savills Valuation and Professional Services Limited	The principal valuer of the Group

(a) Transactions with connected/related parties:

	Notes	Six months ended 30th June, 2014 (unaudited) HK\$'000	Six months ended 30th June, 2013 (unaudited) HK\$'000
Rental income received/receivable from the RHIHL Group	(i)	445,504	391,885
Hotel management fees charged by the RHIHL Group	(ii)	(1,078)	(1,045)
Marketing fees charged by the RHIHL Group	(iii)	(215)	(210)
Building management fees charged by the PHL Group	(iv)	(227)	(227)
Interest income on deposits	(v)	25,717	—
REIT Manager fees	(vi)	(64,244)	(43,848)
Trustee fees	(vii)	(2,061)	(1,995)
Valuation fees paid/payable to the principal valuer	(viii)	(645)	(540)
Acquisition of investment property and related current assets	(ix)	1,581	—

Notes:

- (i) The rental income earned by the Group was in accordance with the relevant agreements with respect to the Initial Hotels and the iclub Sheung Wan Hotel.
- (ii) Hotel management fees in respect of iclub Wan Chai Hotel - Hotel portion were 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 fees in respect of iclub Wan Chai Hotel - Hotel portion were charged at 1% of the gross hotel revenue of iclub Wan Chai Hotel - Hotel portion in accordance with the corresponding hotel management agreement.
- (iv) The building management fees were charged at a mutually agreed amount payable on a monthly basis in respect of iclub Wan Chai Hotel - Non-hotel portions.
- (v) The interest income earned by the Group was in accordance with the relevant agreements with respect to the acquisitions of two hotels located in Sheung Wan and North Point.
- (vi) The REIT Manager is entitled to receive Base Fees, Variable Fees and Acquisition Fee, details of which, including the terms, are set out in note 6 to the condensed consolidated financial statements.
- (vii) 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.
- (viii) The valuation fees were charged by the principal valuer in accordance with the terms of the relevant agreements.
- (ix) The Group acquired an investment property and related current assets from P&R Holdings in accordance with the Share Purchase Agreement, details of which are set out in note 22 to the condensed consolidated financial statements.

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

	Notes	30th June, 2014 (unaudited) HK\$'000	31st December, 2013 (audited) HK\$'000
Net amounts due from/(to) the RHIHL Group:			
Variable Rent receivables	(i)	37,849	53,688
Accounts payable to related companies	(ii)	(61,214)	(131,792)
Amounts due from related companies	(ii)	711	209
Net amounts due from the PHL Group:			
Deposits paid	(ii)	1,212	1,212
Net amounts due from P&R Holdings:			
Deposits	(iii)	1,000,000	1,948,000
Interest receivable on deposits	(iii)	8,173	16,228
Net amounts due to:			
Trustee	(iv)	(897)	(828)
Principal valuer	(v)	(180)	(550)
Restricted and non-restricted bank balances with the Deutsche Bank Group	(vi)	150	123

Notes:

- (i) Details of the balances are set out in note 13 to the condensed consolidated financial statements.
 - (ii) The amounts are unsecured, interest-free and repayable on demand/within one year.
 - (iii) The amounts are unsecured and repayable in accordance with the terms of the relevant agreements.
 - (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. Under the Market Rental Package for 2014, the RHIHL Group provided a third party guarantee as a security deposit for an amount of HK\$371.5 million (2013: HK\$367.0 million), which is equivalent to six months Base Rent for the year 2014, issued by a licensed bank in Hong Kong.
- (d) Under a deed of trademark 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 trademarks 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 iclub Wan Chai Hotel for a 10-year term commencing on 1st January, 2011 and expiring on 31st December, 2020.
- (f) On 10th February, 2014, the Group entered into a new hotel management agreement with a member of the RHIHL Group in respect of the management of the business of iclub Sheung Wan Hotel for a 10-year term commencing on 10th February, 2014 and expiring on 9th February, 2023.

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value

The REIT Manager considers that the carrying amounts of the financial assets and financial liabilities recorded in the condensed consolidated financial statements approximated to their fair values at the end of the reporting period.

The fair values of the financial assets and liabilities represent the amounts for which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Derivative financial instruments, including interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable input including the credit quality of counterparties and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values.

Fair value hierarchy

The Group did not have any financial assets measured at fair value as at 30th June, 2014 (31st December, 2013: Nil).

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

As at 30th June, 2014

	Fair value measurement using			Total (unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (unaudited) HK\$'000	Significant observable inputs (Level 2) (unaudited) HK\$'000	Significant unobservable inputs (Level 3) (unaudited) HK\$'000	
Derivative financial instruments	—	5,347	—	5,347

As at 31st December, 2013

	Fair value measurement using			Total (audited) HK\$'000
	Quoted prices in active markets (Level 1) (audited) HK\$'000	Significant observable inputs (Level 2) (audited) HK\$'000	Significant unobservable inputs (Level 3) (audited) HK\$'000	
Derivative financial instruments	—	4,076	—	4,076

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial liabilities (31st December, 2013: Nil).

27. EVENTS AFTER THE END OF THE REPORTING PERIOD

Completion of the Acquisition of the North Point Hotel

Subsequent to the end of the reporting period, on 28th July, 2014, Regal REIT completed the acquisition of another new hotel at a total consideration of approximately HK\$1,651.4 million, comprised of the final exercise price of HK\$1,650.0 million and a current assets adjustment of approximately HK\$1.4 million (the "NP Transaction"). This new hotel will be named as "iclub Fortress Hill Hotel" under the "iclub by Regal" brand.

Upon completion of the NP Transaction, the iclub Fortress Hill Hotel was leased to the lessee for use in hotel operations for the period from 28th July, 2014 to 31st December, 2019 under a new lease agreement, which is extendable at the option of Regal REIT for a further 5 years. Regal Hotels International Limited, which is the hotel manager of the Initial Hotels, iclub Wan Chai Hotel and iclub Sheung Wan Hotel, was also appointed as the new hotel manager for the operation of the iclub Fortress Hill Hotel under a 10-year hotel management agreement commencing on 28th July, 2014.

Concurrently, new 5-year loan facilities aggregating HK\$825.0 million (the "2014 FH Facilities"), comprised of (a) a term loan facility of up to HK\$660.0 million; and (b) a revolving loan facility of up to HK\$165.0 million, was granted by a bank under a facility agreement entered into by Wise Decade Investments Limited (the direct holding company of the iclub Fortress Hill Hotel, which became a wholly-owned subsidiary of Regal REIT upon completion of the NP Transaction on 28th July, 2014). The 2014 FH Facilities bear HIBOR-based interest.

Upon completion of the NP Transaction, the gearing ratio of Regal REIT is 33.6%. This calculation is based on the total asset value and total borrowings as at 30th June, 2014 and after taking into consideration (i) the balance of the final exercise price of HK\$1,650.0 million settled upon completion; and (ii) the drawdown amount of the 2014 FH Facilities at completion.

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, 2014 to 30th June, 2014, in conjunction with Regal REIT's external auditors. The review report of the external auditors is set out on page 62 of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



**To the board of directors of Regal Portfolio Management Limited
(as manager of Regal Real Estate Investment Trust)**

INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 60, which comprises the condensed consolidated statement of financial position of Regal Real Estate Investment Trust ("Regal REIT") and its subsidiaries as at 30th June, 2014, and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in net assets and statement of cash flows and the distribution statement for the six-month period then ended, and explanatory notes. 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 Manager of Regal REIT 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

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

26th August, 2014

INVESTMENT/HOTEL PROPERTIES PORTFOLIO

As at 30th June, 2014

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	25,091	32,000	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

INVESTMENT/HOTEL PROPERTIES PORTFOLIO

	Description	Use	Lease	Gross Floor Area (sq.m.)	Approx Covered Floor Area (sq.m.)	Percentage interest attributable to Regal REIT
(5)	Regal Riverside Hotel 34-36 Tai Chung Kiu Road Shatin, New Territories Hong Kong	Hotel	Medium term	59,668	69,100	100
(6)	iclub Wan Chai 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
(7)	iclub Sheung Wan Hotel 132-140 Bonham Strand Sheung Wan Hong Kong	Hotel	Long term	7,197	9,600	100

