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REGAL REAL ESTATE INVESTMENT TRUST

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 1881)

Managed by



- (1) CONTINUING CONNECTED PARTY TRANSACTIONS;
(2) PROPOSED AMENDMENTS TO TRUST DEED OF REGAL REIT;
AND
(3) DESPATCH OF CIRCULAR, EGM AND CLOSURE OF REGISTER
OF UNITHOLDERS**

**Independent Financial Adviser to the Independent Board Committee,
the Independent Unitholders and the Trustee**

ALTUS CAPITAL LIMITED

CONTINUING CONNECTED PARTY TRANSACTIONS

In anticipation of the leases for iclub Fortress Hill Hotel and iclub Sheung Wan Hotel (being the Lease Agreements) which will expire on 31 December 2024, the parties to each Lease Agreement entered into the Supplemental Lease Agreements on 11 January 2024 to extend the term of each Lease Agreement for a further ten years, commencing from 1 January 2025 to 31 December 2034.

On the same date, the parties to each Lease Guarantee also entered into a corresponding Supplemental Lease Guarantee to extend Regal Hotels' obligation to maintain a third party guarantee so as to cover the duration of the Extended Lease Period.

Also on the same date, the parties to each Hotel Management Agreement entered into a corresponding Supplemental Hotel Management Agreement to: (i) extend the term of the relevant Hotel Management Agreement for a further period commencing from the respective expiry date to 31 December 2034; and (ii) include a non-fault based early termination provision exercisable only by the relevant Lessor.

The Lease and Guarantee Extension and the HMA Extension are conditional upon the passing of Ordinary Resolution No. 1 and Ordinary Resolution No. 2, respectively, as set out in the Circular.

TRUST DEED AMENDMENTS

In order to provide additional flexibility to the Manager and Unitholders in relation to the conduct of general meetings of Unitholders, the Manager wishes to seek Unitholders' approval for the Trust Deed Amendments set out in Appendix II to the Circular, to be effected through the Second Amending and Restating Trust Deed. The Trust Deed Amendments are conditional upon the passing of the Trust Deed Special Resolution.

DESPATCH OF CIRCULAR, EGM AND CLOSURE OF REGISTER OF UNITHOLDERS

Details of the above are more particularly set out in the Circular, which is expected to be despatched on 11 January 2024 together with the EGM Notice and the form of proxy for the EGM.

The EGM will be held at 12:00 noon on Wednesday, 31 January 2024 at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong, for the purpose of considering and, if thought fit, passing with or without amendments, the CCT Ordinary Resolutions to approve the Lease and Guarantee Extension and the HMA Extension, and the Trust Deed Special Resolution, as set out in the EGM Notice.

The register of Unitholders will be closed from Friday, 26 January 2024 to Wednesday, 31 January 2024, both days inclusive, to determine which Unitholders will qualify to attend and vote at the EGM, during which period no transfers of Units will be effected.

This announcement is made pursuant to paragraphs 10.3 and 10.5A of the REIT Code. The Board wishes to announce that the Manager proposes to seek approval for the Lease and Guarantee Extension, the HMA Extension and the Trust Deed Amendments.

1. CONTINUING CONNECTED PARTY TRANSACTIONS

1.1 Background

As disclosed in the Acquisition Circular and 2019 Lease Extension Announcement, the Hotels are leased to the Lessee, a wholly-owned subsidiary of Regal Hotels, pursuant to the Lease Agreements which will expire on 31 December 2024.

Under the Lease Guarantees, Regal Hotels guaranteed: (i) the Lessee's obligations to pay to the Lessor of each Hotel and/or the Trustee, on demand by the relevant Lessor or the Trustee (at the direction of the 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 relevant Lessor under the relevant Lease Agreement; and (ii) the due observance and performance of all terms, conditions, covenants, agreements and obligations contained in the relevant Lease Agreement, and on the part of the Lessee, to be observed and performed. The Lease Guarantees will subsist during the terms of the respective Lease Agreements. Pursuant to the Lease Guarantees, Regal Hotels is obliged to maintain third party guarantees until 31 December 2024.

Under the Hotel Management Agreements, the Hotel Manager is engaged to act as the exclusive operator and manager of the Hotels, and to supervise, direct and control the management, operation and promotion of the business of the Hotels until 9 February 2024 (in respect of the iclub Sheung Wan Hotel) and 27 July 2024 (in respect of the iclub Fortress Hill Hotel).

1.2 Lease and Guarantee Extension

On 11 January 2024, the parties to each Lease Agreement entered into a corresponding Supplemental Lease Agreement to extend the term of each Lease Agreement (such extended agreements, the "**Extended Lease Agreements**") for a further ten years, commencing from 1 January 2025 to 31 December 2034 (the "**Extended Lease Period**").

On the same date, the parties to each Lease Guarantee also entered into a corresponding Supplemental Lease Guarantee to extend Regal Hotels' obligation to maintain a third party guarantee so as to cover the duration of the Extended Lease Period (such extended agreements, the "**Extended Lease Guarantees**").

The summary below contains the key terms of the Extended Lease Agreement and the Extended Lease Guarantees. Save for the proposed extension of the Lease Agreements and the corresponding Lease Guarantees described above (together, the “**Lease and Guarantee Extension**”), all the other existing terms and conditions of the Lease Agreements and the Lease Guarantees remain unchanged. In particular, the rent for the Extended Lease Period will reflect the current rental arrangement and continue to be determined in the same manner as for the period from 1 January 2025 to 31 December 2034 (that is, such rent will be determined annually based on the Market Rental Package determined by the Independent Professional Property Valuer no later than three months prior to the commencement of the following lease year). For further details of the Lease Agreements and Lease Guarantees, please refer to the Acquisition Circular and the 2019 Lease Extension Announcement.

The Lease and Guarantee Extension is conditional upon the passing of Ordinary Resolution No. 1.

(a) Key Terms of the Extended Lease Agreements

Parties	(i) the relevant Lessor (ii) the Lessee
Current Term	Commencing from the execution of the relevant Lease Agreement (being 10 February 2014 for iclub Sheung Wan Hotel and 28 July 2014 for iclub Fortress Hill Hotel) to 31 December 2024.
Extended Lease Period	Commencing from 1 January 2025 to 31 December 2034 (both days inclusive).
Rental for the Extended Lease Period	The annual rents (comprising Base Rent and Variable Rent) and the amount of the security deposit will be determined based on market rental review by an independent professional property valuer to be jointly appointed by the relevant Lessor and the Lessee. Unitholders will be informed of the details of the market rental review for each lease year by way of an announcement.

The determination of the Market Rental Package by the independent professional property valuer shall be based on the base rent that the relevant Hotel might reasonably expected to be leased (calculated at the commencement of that lease year) taking into account the assumptions and disregards set out in the relevant Extended Lease Agreement, including but not limited to the following:

- (a) that the relevant Hotel is available to let on the open market by a willing landlord to a willing tenant without a premium and with vacant possession having regard to similar premises having similar characteristics and attributes;
- (b) that the rental payable by the Lessee shall be exclusive of rates, government rent, utility charges and all other outgoings payable by the Lessee;
- (c) that the length of the relevant Extended Lease Agreement would be in line with other leases in the market with similar nature;
- (d) that the relevant Hotel is fit for immediate occupation and use and incorporates fixtures and fittings which are of a standard and description commensurate with the nature of the premises and which are suitable for the use and occupation of the willing tenant;
- (e) that in case any part of the relevant Hotel has been damaged or destroyed, it has been fully restored;
- (f) that no reduction is to be made to take account of any inducements;
- (g) disregarding any effect on rent of the fact that the Lessee has been or is in occupation of the relevant Hotel or any part thereof; and
- (h) disregarding any goodwill attributable to the Lessee's business carried on at the relevant Hotel.

In addition to the above assumptions and disregards, the independent professional property valuer generally takes into consideration the then prevailing market conditions, outlook for the hotel and tourism industry in Hong Kong and performance of the relevant Hotel in the preceding years.

Security Deposit

The Lessee shall, during the lease term of the relevant Extended Lease Agreement, maintain with the relevant Lessor a security deposit (in cash or other form of acceptable collateral) equivalent to the higher of: (i) the amount of which an independent professional property valuer jointly appointed by the relevant Lessor and the Lessee determines to be the market rate of deposit upon market rental review; and (ii) three months' base rent, rates and government rent.

**Right and
Obligation to
Operate**

The Lessee has the rights and obligations under the relevant Extended Lease Agreement, or procure the Hotel Manager, to manage and operate, the relevant Hotel at the same or higher management and operating standards as what are prevailing in hotels of comparable sizes, locations, levels of technology and qualities of service in Hong Kong, and shall provide the hotel services of a comparable standard.

**Routine
Maintenance
and Repair**

The Lessee is primarily responsible, at its sole cost and expense, for the repair and maintenance of the interior and exterior of the relevant Hotel subject to the relevant Extended Lease Agreement, including without limitation, electrical and mechanical equipment, floor coverings, furniture, grounds and landscaping, plumbing, air-conditioning and ventilation, telephone equipment and life and safety/security system. In addition to the foregoing, the Lessee shall, at its sole cost and expense, maintain and repair all structural parts of the relevant Hotel, including but not limited to, foundations, roof, external walls, external and internal structural walls, columns, beams and supports, external pipes, sewages, and drains.

Insurance

During the term of the relevant Extended Lease Agreement, the Lessee shall insure and keep insured the relevant leased premises for the benefit of the relevant Lessor or its nominees in accordance with terms of the relevant Extended Hotel Management Agreement or (where the relevant Extended Hotel Management Agreement is no longer applicable) in such terms and conditions as the relevant Lessor may approve in writing.

During the term of the relevant Extended Lease Agreement, the relevant Lessor shall insure and keep insured property insurance in respect of the relevant Hotel and loss of rental insurance as may be required to be insured by the relevant Lessor.

All proceeds of claims on each insurance taken out by the Lessee shall be paid into the account of the relevant Lessor. Such monies will then be applied in accordance with the relevant Extended Hotel Management Agreement, which requires such monies to be applied for the repairing, rebuilding, and replacement of the relevant Hotel, together with replacing any FF&E and Operating Equipment required in the operation of the relevant Hotel. Where the relevant Extended Hotel Management Agreement is no longer subsisting, such monies will be applied towards repairing/or reinstating as soon as practicable the relevant loss or damage and/or to be applied in reimbursing any person, firm or company who or which has already paid for such repair/or reinstatement.

Early Termination

The relevant Lessor has the right to terminate the relevant Extended Lease Agreement at any time during the term of the relevant Extended Lease Agreement by giving six months' prior written notice to the Lessee but without compensation, interest or costs paid by the relevant Lessor to the Lessee, and the Lessee will not have any claims whatsoever against the relevant Lessor for such early termination.

The relevant Lessor also has the right to terminate the relevant Extended Lease Agreement in the event of, among other things, failure by the Lessee to make rental payments or breach by the Lessee of certain material undertakings under the relevant Extended Lease Agreement or relevant Extended Hotel Management Agreement.

Each Lessor will commence negotiations with the Lessee for the possible further extension of the relevant Extended Lease Agreement at least two years before the expiry of the Extended Lease Period to facilitate the Manager's formulation of strategic plans with respect to the Hotels, as applicable. Further announcement(s) will be made by the Manager in compliance with the Listing Rules and the REIT Code if and when definitive documents in respect of the further extension of the Extended Lease Agreements are entered into.

(b) Key Terms of the Extended Lease Guarantees

Parties

- (i) Regal Hotels (as guarantor)
- (ii) the relevant Lessor
- (iii) Trustee (in its capacity as trustee of Regal REIT)

Guarantee

Regal Hotels have unconditionally and irrevocably guaranteed: (a) the Lessee's obligations to pay to the relevant Lessor and the Trustee, on demand by the relevant Lessor or the Trustee (at the direction of the 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 relevant Lessor under the relevant Extended Lease Agreement; and (b) the due observance and performance of all terms, conditions, covenants, agreements and obligations contained in the relevant Extended Lease Agreement, and on the part of the Lessee to be observed and performed.

Guarantee Period	Commencing from the execution of the relevant Lease Guarantee (being 10 February 2014 for iclub Sheung Wan Hotel and 28 July 2014 for iclub Fortress Hill Hotel) until the end of the term of the relevant Extended Lease Agreement.
Third Party Guarantee	<p>Regal Hotels will maintain an irrevocable and unconditional on demand third party guarantee in favour of the relevant Lessor and the Trustee. The guaranteed amount shall be the amount of the security deposit, which is the higher of:</p> <p>(a) the amount which the independent professional party valuer determines to be the market rate of the security deposit upon rent review pursuant to the relevant Extended Lease Agreement; and</p> <p>(b) three (3) months' base rent, rates and government rent.</p>
Current Third Party Guarantee Period	Commencing from the execution of the relevant Lease Guarantee until 31 December 2024.
Extended Third Party Guarantee Period	Commencing from 1 January 2025 to the end of the Extended Lease Period.

(c) *Historical transaction amounts*

The aggregate amounts of rental income paid and payable by the Lessee to the relevant Lessor under the Lease Agreements for each of the nine years ended 31 December 2014 to 2022 and six months ended 30 June 2023 were as follows:

	For the year ended				
	31 December 2014 (HK\$'000)	31 December 2015 (HK\$'000)	31 December 2016 (HK\$'000)	31 December 2017 (HK\$'000)	31 December 2018 (HK\$'000)
SW Lease Agreement	70,301 ¹	82,515	86,545	46,713	46,587
FH Lease Agreement	35,262 ²	84,263	88,388	70,867	43,990
Totals	105,563	166,778	174,933	117,580	90,577

	For the year ended				For the six months ended
	31 December 2019 (HK\$'000)	31 December 2020 (HK\$'000)	31 December 2021 (HK\$'000)	31 December 2022 (HK\$'000)	30 June 2023 (HK\$'000)
SW Lease Agreement	46,000	41,000	26,000	27,000	16,000
FH Lease Agreement	46,000	41,000	26,000	37,757	15,000
Totals	92,000	82,000	52,000	64,757	31,000

Note 1: The SW Lease Agreement and SW Lease Guarantee were entered into on 10 February 2014 with rental received from such date.

Note 2: The FH Lease Agreement and FH Lease Guarantee were entered into on 28 July 2014 with rental received from such date.

Since the effective date of the Lease Agreements, the Lessee has paid rent and other payments punctually and met all of its other obligations under the Lease Agreements. Accordingly, no payments have been made under the Lease Guarantees since they were entered into.

(d) Annual Caps

The proposed annual caps for the Extended Lease Agreements and the Extended Lease Guarantees are as follows:

	For the year ending				
	31 December 2025	31 December 2026	31 December 2027	31 December 2028	31 December 2029
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Extended SW Lease Agreement and SW Lease Guarantee	86,545	95,546	105,482	116,453	128,564
Extended FH Lease Agreement and FH Lease Guarantee	88,388	97,580	107,729	118,932	131,301
Totals	174,933	193,126	213,211	235,385	259,865

	For the year ending				
	31 December 2030	31 December 2031	31 December 2032	31 December 2033	31 December 2034
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Extended SW Lease Agreement and SW Lease Guarantee	141,934	156,695	172,992	190,983	210,845
Extended FH Lease Agreement and FH Lease Guarantee	144,957	160,032	176,676	195,050	215,335
Totals	286,891	316,727	349,668	386,033	426,180

As payments under the Extended Lease Guarantees are only required where the Lessee has defaulted under the Extended Lease Agreements, payments under these two agreements are substitutes and the Manager therefore proposes a single annual cap for the Extended Lease Agreements and Extended Lease Guarantees. The proposed annual cap for the year ending 31 December 2025 is equal to the highest annual transaction amount for the Lease Agreements since they were entered into, being for the year ended 31 December 2016. For subsequent years, a growth rate of approximately 10.40% per annum (compounded), being the 2018 Average Daily Rate (ADR) growth rate published by the Hong Kong Tourism Board (which is broadly consistent with the ADR growth for the Hotels in 2018), was applied to determine the proposed annual caps for those years. The Manager considers that using the published 2018 ADR growth rate as the basis for its projected growth rate of the proposed annual caps for the Extended Lease Agreements and Extended Lease Guarantees is appropriate as (i) it eliminates the distortions caused by the disruptions from 2019 to 2022; (ii) it takes into account the positive trend observed in the years leading up to 2018, the typical benchmark year used by Hong Kong's tourism industry; (iii) the Hong Kong tourism industry expects recovery and normalisation in the coming years; (iv) it reflects the pricing dynamic and patterns observed across Hong Kong's hotel industry; and (v) brand recognition and market presence of the Hotels has been increasing over the years.

For the avoidance of doubt, the 2013 CCT Waiver currently in effect until 31 December 2024 is not subject to any annual caps. Accordingly, there are no annual caps prior to the Extended Lease Period. For further details, refer to the Acquisition Circular.

1.3 Extension of the Hotel Management Agreements

Also on 11 January 2024, the parties to the Hotel Management Agreements entered into the Supplemental Hotel Management Agreements to: (i) extend the term of the SW Hotel Management Agreement for a further period commencing from the expiry date (being 10 February 2024) to 31 December 2034, and the term of the FH Hotel Management Agreement for a further period commencing from the expiry date (being 28 July 2024) to 31 December 2034 (the “**Extended HMA Periods**”); and (ii) include a non-fault based early termination provision exercisable only by the relevant Lessor as set out in the table below (such extended and amended Hotel Management Agreements being the “**Extended Hotel Management Agreements**”).

The summary below contains the key terms of the Extended Hotel Management Agreements for the purposes of the upcoming EGM. Save for the abovementioned changes to the expiry date and the non-fault early termination provision (the “**HMA Extension**”), all the other existing terms and conditions of the Hotel Management Agreements remain unchanged. For further details of the Hotel Management Agreements, please refer to the Acquisition Circular.

The HMA Extension is conditional upon the passing of Ordinary Resolution No. 2.

(a) Key terms of the Extended Hotel Management Agreements

For the purpose of this section, the “Owner” shall, during the term of the relevant Extended Lease Agreement, mean the Lessee and thereafter (i.e. in the case of expiry or early termination of the relevant Extended Lease Agreement) the “Owner” shall mean the relevant Lessor unless a substitute lessee is found.

Parties	(i) the Lessee (ii) the relevant Lessor (iii) Hotel Manager (iv) Regal Hotels
General	The Hotel Manager will be engaged to act as the exclusive operator and manager to supervise, direct and control the management, operation and promotion of the business of the relevant Hotel.
Current Term	Ten years after execution of the relevant Hotel Management Agreement, being 10 February 2014 (for iclub Sheung Wan Hotel) or 28 July 2014 (for iclub Fortress Hill Hotel).
Extended HMA Periods	From expiry of the current term to 31 December 2034.

**Operation of the
relevant Hotel**

The Hotel Manager is required under the relevant Extended Hotel Management Agreement to operate the relevant Hotel solely under the “iclub by Regal (富薈酒店)” hotel brand name and to act in good faith, to exercise due care and diligence and with full control and discretion, to operate, manage and promote the business of the relevant Hotel, to provide all services lawfully or properly provided by a hotel of comparable standard as the relevant Hotel and to act in the best interests of the relevant Lessor with a view to optimising profit of the relevant Hotel.

All hotel employees are to be employees of the Hotel Manager, and it has sole discretion and authority in the selection and employment of all hotel employees necessary for the proper operation of the relevant Hotel. However, the Hotel Manager shall obtain the Owner’s approval (which shall not be unreasonably withheld) prior to selecting and employing the general manager and the financial controller of the relevant Hotel. All costs and expenses shall form part of the hotel operating expenses.

The Hotel Manager is also required to maintain all licences (other than the hotel licence and some other licences to be maintained by the relevant Lessor) in respect of the operation and management of the relevant Hotel.

The Hotel Manager is required to submit to the Owner an annual operating budget for the Owner’s approval. If any part of the operating budget cannot be agreed by the Owner and the Hotel Manager, the items in dispute shall be referred to an independent expert possessing the relevant professional qualifications jointly appointed by the Owner and the Hotel Manager for resolution and such resolution shall be final and binding upon the Owner and the Hotel Manager. The Hotel Manager shall operate the relevant Hotel in accordance with the approved operating budget and shall not deviate materially from the approved operating budget without the Owner’s prior written consent.

**Hotel
Management Fee**

The Hotel Manager is entitled to payment by the Owner of a hotel management fee comprising the following:

- (a) a hotel management base fee which is equal to:
 - (i) for so long as the relevant Extended Lease Agreement is in subsistence, an amount equal to 1% of Gross Revenues; or
 - (ii) in any other cases during the term of the relevant Extended Hotel Management Agreement, an amount equal to 2% of Gross Revenues; and
- (b) a hotel management incentive fee which is equal to:
 - (i) for so long as the relevant Extended Lease Agreement is in subsistence, an amount equal to 1% of the excess of the Adjusted GOP over (1) the hotel management base fee and (2) the fixed charges; or
 - (ii) in any other cases during the term of the relevant Extended Hotel Management Agreement, an amount equal to 5% of the Adjusted GOP over (1) the hotel management base fee and (2) the fixed charges.

**Marketing Fee
and
Reimbursable
Marketing
Expenses**

Marketing fee

A marketing fee is reimbursable by the Owner to the Hotel Manager of an amount no more than 1% of the total hotel revenue for the current fiscal year for the purposes of participating in national and international advertising and mandatory corporate marketing programs approved by the Owner in the operating budget.

Reimbursable marketing expenses

The Hotel Manager is also entitled to produce promotions and participate in trade shows and other sales activities for the relevant Hotel and all such costs (which are budgeted for and approved by the Owner) shall be reimbursed by the Owner to the Hotel Manager.

Routine Repairs and Maintenance

Routine repairs and maintenance are to be carried out by the Hotel Manager in accordance with an annual repairs and maintenance estimate to be approved by the Owner. The structural maintenance and repair of the relevant Hotel shall be the responsibility of the Owner and the costs shall form part of the hotel operating expenses for the relevant Hotel.

Furniture, Fixtures and Equipment Reserve & Expenditure

The relevant Lessor is obligated to maintain FF&E Reserve (all funds in which shall belong to the relevant Lessor) with an amount, equivalent to 2% of the total hotel revenue for the preceding calendar month as set out in the Profit and Loss Statement, to be set aside monthly. Further, as part of its review for each lease year, the independent professional property valuer may determine a percentage of the total hotel revenue, as part of or in addition to the aforesaid amount set aside, which the Lessee is obligated to contribute. After reviewing the applicable audited report and taking into account the contributions made by the Lessee, if any, the relevant Lessor has the discretion to set aside any additional amount on account of the FF&E Reserve.

Within two months from the end of each fiscal year, the Hotel Manager shall submit to the relevant Lessor and (during the term of the Lease Agreement) the Lessee for approval, a proposed estimate of expenditure for the ensuing fiscal year for the necessary additions to and replacement of the relevant Hotel's FF&E. The final decision as to whether or not to approve such budget shall be made by the relevant Lessor. Failure of the relevant Lessor or the Lessee (as the case may be) to disapprove shall be deemed to constitute its approval.

The Hotel Manager may, in accordance with the approved FF&E budget, withdraw money from the FF&E Reserve to pay for additions to and/or replacement of FF&E. Any amount remaining in the FF&E Reserve at the close of each lease year shall be carried forward and be retained in the FF&E Reserve for the subsequent lease year(s), but shall not be taken into account when calculating the contribution to the FF&E Reserve for the subsequent lease year(s).

Capital Additions

The Hotel Manager is required to submit a budget in respect of planned capital expenditure (save and except those investments falling within the definition of FF&E) for the relevant Lessor's and/or (during the term of the Extended Lease Agreement) the Lessee's approval. In the event the relevant Lessor and/or the Lessee (as the case may be) disapproves or raises any objection to the proposed budget or any part thereof, the relevant Lessor and the Lessee shall co-operate with each other in good faith to resolve the disputed or objectionable items. If the disputed or objectionable items cannot be resolved by mutual agreement, the final decision as to whether or not to approve the capital budget or any changes thereto shall be made by the relevant Lessor.

Once approved, the Hotel Manager shall carry out capital additions in accordance with the approval of the relevant Lessor and (during the term of the Extended Lease Agreement) the Lessee as to the design, construction standard, and other material aspects of the proposed capital alterations or additions. All costs relating to capital additions required to conform with legal requirements shall be borne by the relevant Lessor. All other costs and expenses of capital additions shall be borne by the relevant Lessor and the Lessee in the manner agreed between them and shall not be paid from the hotel operating expenses or from the FF&E Reserve.

Insurance

Each Lessor is required to maintain property insurance on the relevant Hotel including all FF&E and the Operating Equipment at not less than 100% of replacement costs. During the term of the relevant Extended Lease Agreement, insurance premiums will be reimbursed to the relevant Lessor by the Lessee and will be treated as fixed charges. The policy shall include the Lessee (during the term of the relevant Extended Lease Agreement) and the Hotel Manager as additional insureds.

The Owner is also required to maintain business interruption insurance covering loss of profit for the Owner for a minimum period of 12 months resulting from interruption or cessation of operation of the relevant Hotel. The insurance premiums are treated as the hotel operating expenses. The relevant Lessor and the Hotel Manager will be included as additional insureds.

The Hotel Manager is required to maintain third party liability insurance and other insurances against items like theft or damage to guests' properties with a combined single limit for each occurrence of not less than HK\$100 million as well as workman compensation insurance, employers' liability insurance, insurances required by law and other insurances as the Hotel Manager shall deem necessary. The insurance premiums are treated as hotel operating expenses. The relevant Lessor and (during the term of the Extended Lease Agreement) the Lessee will be included as an additional insured.

If the Hotel Manager or the Owner hires an outside contractor for any repair or maintenance work for the relevant Hotel, the Hotel Manager or the Owner shall provide comprehensive general liability insurance insuring the contractor for the work being done. The Hotel Manager, the Lessor and (during the term of the Extended Lease Agreement) the Lessee will be included as an additional insureds.

All insurance proceeds in respect of property damage shall be deposited into a bank account of the relevant Lessor, operated by the joint signatories designated by the relevant Lessor and the Hotel Manager. All monies withdrawn from such accounts shall be applied for repairs or replacement of the relevant Hotel, together with replacing any FF&E and Operating Equipment.

The Owner assumes all risks in connection with the adequacy of all insurance policies and all loss and damages in excess of the insurance coverage. The Hotel Manager shall be released from all claims and liabilities arising out of any damages or destruction of the relevant Hotel save for loss or damages caused by default, wilful misconduct, fraud, or negligence of the Hotel Manager or its associated companies.

Default and Termination

By either the Owner or the Hotel Manager

Upon the occurrence of certain events, a non-defaulting party may terminate the relevant Extended Hotel Management Agreement by giving three months' written notice. Such events include: (i) failure of the Hotel Manager to operate the relevant Hotel in accordance with the prescribed operating standards and the relevant Lessor elects to terminate the relevant Extended Lease Agreement on this ground; and (ii) failure to perform any other covenant which has a material adverse impact on the operation of the relevant Hotel or the rights or duties of the parties under the relevant Extended Hotel Management Agreement and not cured within 30 days after a written notice giving particulars of the breach is received by the defaulting party.

Upon the occurrence of certain events, a non-defaulting party may terminate the relevant Extended Hotel Management Agreement immediately by serving a written notice of termination. Such events include: (i) failure by the Owner or the Hotel Manager to pay sums due for over 30 days; (ii) bankruptcy, insolvency, a petition for reorganisation, appointment of a receiver or entering into of a judgment for bankruptcy against either the Owner or the Hotel Manager; (iii) any party to the relevant Extended Hotel Management Agreement ceasing to carry on business; and (iv) any change in the shareholding of the Hotel Manager which would result in the Hotel Manager ceasing to be a member of the Regal Hotels Group (unless as a result of reorganisation of the Regal Hotels Group, a member of the Regal Hotels Group becomes listed on the Stock Exchange and the Hotel Manager becomes a member of a group controlled by such listed company and Regal Hotels retains not less than 30% of such listed company).

In addition, the relevant Lessor is entitled to terminate the Extended Hotel Management Agreement if notice to terminate the relevant Extended Lease Agreement is served by the relevant Lessor as a result of default by the Lessee thereunder, subject to liquidated damages being payable to the Hotel Manager in such circumstances. The amount of liquidated damages shall be the hotel management base fee and hotel management incentive fee payable for three fiscal years or the remainder of the operating term, whichever is shorter.

**Non-Fault Based
Early
Termination
(*new provision in
the Extended
Hotel
Management
Agreements*)**

The relevant Lessor may terminate the relevant Extended Hotel Management Agreement at any time by giving six months' prior written notice to the Hotel Manager, provided the relevant Lessor pays the Hotel Manager an amount equal to the management fees payable for three fiscal years or the remainder of the operating term, whichever is shorter.

**Lessor's
Obligation to
Maintain Hotel
Licence and
Other Licences**

The relevant Lessor is required to obtain, maintain and renew a licence under the Hotel and Guesthouse Accommodation Ordinance (Chapter 349 of the Laws of Hong Kong) and other licences to enable the Lessee or the Hotel Manager to operate a hotel business at the relevant Hotel. However, the relevant Lessor shall not be liable for any failure to obtain or renew such licences unless the failure is caused by the default of the relevant Lessor. All costs and expenses in relation to obtaining, maintaining and renewing such licences shall be treated as hotel operating expenses save and except any such costs and expenses which constitute capital additions shall be borne by the relevant Lessor and the Lessee in the manner agreed between them (save and except that any such costs and expenses required to conform with the legal requirements shall be borne by the relevant Lessor). The Hotel Manager shall comply with all the conditions under the licence as may be imposed by the relevant licensing authority from time to time and shall keep the relevant Lessor indemnified in respect of any breach of the conditions and associated liabilities caused by the default of the Hotel Manager.

(b) Historical transaction amounts

The approximate aggregate amounts of the hotel management fee, marketing fee and marketing expenses under the Hotel Management Agreements for each of the nine years ended 31 December 2014 to 2022 and six months ended 30 June 2023 are as follows:

	For the year ended				
	31 December 2014	31 December 2015	31 December 2016	31 December 2017	31 December 2018
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
SW Hotel Management Agreement	1,160 ¹	2,409	2,399	2,853	3,103
FH Hotel Management Agreement	692 ²	2,173	2,433	2,777	3,169
Totals	1,852	4,582	4,832	5,630	6,272
					For the six months ended
	For the year ended				30 June
	31 December 2019	31 December 2020	31 December 2021	31 December 2022	2023
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
SW Hotel Management Agreement	2,298	1,229	1,287	1,557	1,012
FH Hotel Management Agreement	2,173	1,199	1,231	2,668	913
Totals	4,471	2,428	2,518	4,225	1,925

Note 1: The SW Hotel Management Agreement was entered into on 10 February 2014 with hotel management fee, marketing fee and marketing expenses received from such date.

Note 2: The FH Hotel Management Agreement was entered into on 28 July 2014 with hotel management fee, marketing fee and marketing expenses received from such date.

(c) *New Annual Caps*

The proposed annual caps for the Extended Hotel Management Agreements are as follows:

	For the year ending					
	31 December	31 December	31 December	31 December	31 December	31 December
	2024	2025	2026	2027	2028	2029
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Extended SW Hotel Management Agreement	4,603	5,081	5,610	6,193	6,837	7,549
Extended FH Hotel Management Agreement	4,669	5,155	5,691	6,282	6,936	7,657
Totals	9,272	10,236	11,301	12,475	13,773	15,206

	For the year ending				
	31 December	31 December	31 December	31 December	31 December
	2030	2031	2032	2033	2034
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Extended SW Hotel Management Agreement	8,334	9,200	10,157	11,213	12,380
Extended FH Hotel Management Agreement	8,453	9,333	10,303	11,375	12,558
Totals	16,787	18,533	20,460	22,588	24,938

The proposed annual cap for the year ending 31 December 2024 is equal to the sum of: (i) the highest annual transaction amount for the Hotel Management Agreements since they were entered into, being for the year ended 31 December 2018; and (ii) an additional amount of HK\$1,500,000 as significant expenses in form of marketing campaigns and promotional activities that may be deployed to boost the business of the Hotels or specific customer segments. For subsequent years, a growth rate of approximately 10.40% per annum (compounded), being the 2018 ADR growth rate published by the Hong Kong Tourism Board (which is broadly

consistent with the ADR growth for the Hotels in 2018), was applied to determine the proposed annual caps for those years. The Manager considers that using the published 2018 ADR growth rate as the basis for its projected growth rate of the proposed annual caps for the Extended Hotel Management Agreements is appropriate (i) as the hotel management fee, marketing fee and marketing expenses are generally correlated to revenue and hence ADRs of the Hotels; and (ii) for other reasons in the context of the Lease and Guarantee Extension stated in the section headed “1.2 Lease and Guarantee Extension - (d) Annual Caps” above.

1.4 Reasons for and Benefits of the Lease and Guarantee Extension and the HMA Extension

(a) Lease and Guarantee Extension

The Manager has considered the following key factors for the Lease and Guarantee Extension:

(i) Track Record and Continuity

Since the effective date of the Lease Agreements, the Lessee has paid rent and other payments punctually and met all of its other obligations under the Lease Agreements such as provision of information to Regal REIT. Further, the Lessee has consistently been co-operative with the Manager on matters which require their joint input such as the determination and execution of capital expenditure budgets and annual market rental packages.

With the proven track record of the Lessee, considering the strong alignment of interests between Regal REIT and Regal Hotels (being the holding company of the Lessee), the Manager considers it to be crucial to maintain its business relationship with the Lessee. The Manager also believes that the Lease and Guarantee Extension will facilitate business continuity by maintaining the current lease structure. Such business relationship and business continuity are well-proven and important for Unitholders and other stakeholders (including but not limited to the lenders, the Lessee and the Hotel Manager) who may have invested in or partnered with Regal REIT on the above basis.

Conversely, if the Lease and Guarantee Extension is not approved by Independent Unitholders, the Manager would need to seek an alternative lessee to replace the existing one. The incoming lessee will have no operating history with the Hotels, nor any track record on whether the incoming lessee will consistently meet its obligations under its lease agreement. Accordingly, there is a risk that the performance of the Hotels may deteriorate under another lease agreement, which, in turn, may adversely affect the financial performance of Regal REIT.

(ii) Maintain Current Hotel Management Fee

If the Lease and Guarantee Extension is not approved by Independent Unitholders and the HMA Extension is approved by the Independent Unitholders, the Lease Agreements shall expire while the Extended Hotel Management Agreements are in subsistence. Following the expiry of the Lease Agreements, the hotel management base fees and incentive fees payable by Regal REIT to the Hotel Manager under the Extended Hotel Management Agreements will increase from 1% to 2% of Gross Revenues and from 1% to 5% of the excess of Adjusted GOP over the hotel management base fees and fixed charges, respectively. The Lease and Guarantee Extension can avoid an uplift in fees during the Extended Lease Period that may have an adverse impact on the financial performance of Regal REIT.

(iii) Potential Conflict of Interests between an Incoming Lessee and the Existing Hotel Manager

If the incoming lessee has no affiliation with the Hotel Manager, their interests may not be aligned, as the incoming lessee and the Hotel Manager may have different economic interests and goals. There may also be conflicts between the policies or objectives adopted by the incoming lessee and the Hotel Manager. Such conflicts may affect the smooth operation of the Hotels and could have a material adverse impact on the financial performance of Regal REIT.

(iv) Ability to Early Terminate the Extended Lease Agreements

Although the Lease and Guarantee Extension is for a 10-year period, the Lessors may terminate the Extended Lease Agreements by giving six months' prior written notice to the Lessee, without needing to demonstrate cause or providing compensation to the Lessee. The Lessee does not enjoy similar early termination rights. This mitigates any risks to Regal REIT associated with the period of extension.

(v) *Best Available Deal for Regal REIT*

Given the prevailing structure of Regal REIT's business operations in respect of the Hotels, the Manager is of the view that the prospect of receiving any reasonable proposal from other parties adopting a structure similar to the prevailing one is unlikely since the hospitality market is still in the early stage of recovery. In addition, having considered the time, financial and administrative resources required, the Manager is of the view that, on balance, it is not commercially practical for Regal REIT to seek alternative deals from other potential lessees.

The Manager considers that, if there were to be a new lessee, a certain amount of time will be required by such new lessee to adapt to the existing business operations of the Hotels and cooperation arrangement with the existing Hotel Manager. The Manager wishes to keep the existing lease structure of the Hotels intact, thereby maintaining the smooth operations of the Hotels by the Hotel Manager. Any changes in lessee may unnecessarily disrupt the operations of Regal REIT. Based on the foregoing and having taken into account the alignment in economic interests of the Lessee and the Hotel Manager (both being wholly-owned subsidiaries of Regal Hotels), the Manager considers the Lease Agreements and Lease Guarantees as extended/amended pursuant to the Supplemental Lease Agreements and Supplemental Lease Guarantees to be the best available deal for Regal REIT.

(b) *HMA Extension*

The Manager has considered the following key factors for the HMA Extension:

(i) *Track Record and Continuity*

Since the effective date of the Hotel Management Agreements, the Hotel Manager has managed the Hotels with due care and diligence, and met all of the performance tests under the Hotel Management Agreements. Further, the Hotel Manager has consistently been co-operative with the Owner on matters which require their joint input such as the determination and execution of operating and capital budgets.

With the proven track record of the Hotel Manager, who also acts as the hotel manager of Regal REIT's other hotels, and considering the strong alignment of interests between Regal REIT and Regal Hotels (being the holding company of the Hotel Manager), the Manager considers it to be crucial to maintain its business relationship with the Hotel Manager. The Manager also believes that the Extended Hotel Management Agreements will facilitate business continuity by maintaining the current hotel management arrangements. Such business relationship and business continuity are well-proven and important for Unitholders and other stakeholders who may have invested in or partnered with Regal REIT on the above basis.

Conversely, if the Supplemental Hotel Management Agreements are not entered into, the Manager would need to seek an alternative hotel manager to manage the Hotels. The incoming hotel manager will have no operating history with the Hotels, nor any track record on whether the incoming hotel manager will consistently meet its obligations under its hotel management agreement. Further, the Hotels have been operating under the "iclub by Regal" brand by the Hotel Manager since the commencement of their operations in 2014, and the Owner would no longer be able to use the "iclub by Regal" brand for the Hotels if the Supplemental Hotel Management Agreements are not entered into. The Manager considers that switching to a new hotel manager and rebranding the Hotels could potentially confuse its clientele and the market. Accordingly, there is a risk that the performance of the Hotels may deteriorate under another hotel management agreement, which, in turn, may adversely affect the financial performance of Regal REIT.

(ii) Early Termination Provision Exercisable in Favour of Regal REIT

Hotel management agreements will normally be entered into for relatively long periods. In the current case, the Extended Hotel Management Agreements are proposed to be for an operating term of approximately ten years. In the event that the relevant Lessor finds it commercially or otherwise more favourable or practicable to terminate the Extended Hotel Management Agreements, the additional non-fault based early termination provision will entitle the relevant Lessor to do so by giving a six (6) months' prior written notice to the Hotel Manager anytime during the term of the Extended Hotel Management Agreements and payment of liquidated damages (being the management fees payable for three fiscal years or the remainder of the operating term, whichever is shorter).

The Manager considers that this right to unilaterally terminate the Extended Hotel Management Agreements is favourable to Regal REIT and the Unitholders.

(iii) Best Available Deal for Regal REIT

Having considered the potential operational inconsistencies that may arise from management strategies of different hotel managers, and the potential time, financial and administrative resources required for the Manager to liaise with multiple hotel managers, the Manager is of the view that, on balance, it is more commercially practical for Regal REIT to maintain only one hotel manager across all of its properties. The Manager considers that, if there were to be a new hotel manager for the Hotels, a certain amount of time will be required by such new hotel manager to adapt to the existing business operations of the Hotels and liaise with the Manager and Hotel Manager (in respect of other hotels in Regal REIT's portfolio) and the Owner, who will also need to expend a similar amount of effort liaising with the new hotel manager. The Manager wishes to keep the existing operations of the Hotels intact, thereby maintaining the consistency of hotel management standards over all of Regal REIT's properties, and it is operationally more efficient for the Manager to liaise with just one hotel manager. Any changes in hotel manager of the Hotels may unnecessarily disrupt the operations of Regal REIT as a whole. Based on the foregoing, the Manager considers the Supplemental Hotel Management Agreements to be the best available deal for Regal REIT.

1.5 Regulatory Implications

(a) Background

Regal Hotels is a Substantial Unitholder of Regal REIT and is therefore a connected person of Regal REIT under 8.1(d) of the REIT Code. Each of the Lessee and the Hotel Manager is a wholly-owned subsidiary of Regal Hotels and is therefore a connected person of Regal REIT under paragraph 8.1(f) of the REIT Code.

On 17 July 2013, the SFC granted a waiver (the "**2013 CCT Waiver**") from strict compliance with the disclosure and unitholders' approvals requirements under Chapter 8 of the REIT Code in respect of the continuing connected transactions under the Lease Agreements, the Lease Guarantees and the Hotel Management Agreements, subject to certain terms and conditions.

The details of the 2013 CCT Waiver are set out in the Acquisition Circular. The 2013 CCT Waiver, which is not subject to annual caps, will expire on the expiry date of the relevant agreements, being 9 February 2024 (with respect to the SW Hotel Management Agreement), 27 July 2024 (with respect to the FH Hotel Management Agreement) and 31 December 2024 (with respect to the Lease Agreements and Lease Guarantees).

On 4 December 2020, the REIT Code was revised to, inter alia, broadly align the requirements applicable to connected party transactions of REITs with the requirements for companies listed on the Stock Exchange. Following the changes to the REIT Code, save as otherwise provided in the REIT Code or the guidelines issued by the SFC from time to time, all connected party transactions of REITs will be regulated with reference to the requirements applicable to listed companies under Chapter 14A of the Listing Rules to the extent appropriate and practicable, including whether certain connected party transactions are continuing connected party transactions, available exemptions and the conditions thereof and unitholders' approval, disclosure, reporting, annual review and other requirements. All pre-existing waivers, including the 2013 CCT Waiver, shall continue to apply until expiry according to their terms or until otherwise modified or revoked.

(b) Lease and Guarantee Extension

Since the 2013 CCT Waiver in respect of the Lease Agreements and Lease Guarantees is due to expire upon the expiry date of the Lease Agreements (being 31 December 2024), the continuing connected party transactions of Regal REIT under the Lease Agreements will, until 31 December 2024, be subject to the terms and conditions of the 2013 CCT Waiver as set out in the Acquisition Circular.

As the continuing connected transactions resulting from the Lease and Guarantee Extension will follow the expiry of the 2013 CCT Waiver for the underlying Lease Agreements, such transactions will be regulated by reference to the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). As the highest applicable percentage ratio calculated in respect of the proposed annual caps applicable to the transactions resulting from the Lease and Guarantee Extension exceeds 5%, such transactions and the proposed annual caps applicable thereto are subject to the Independent Unitholders' approval by way of Ordinary Resolution, announcement, reporting, annual review and other requirements under the aforementioned rules. Therefore, the Lease and Guarantee Extension is conditional upon the passing of Ordinary Resolution No. 1.

Under Rule 14A.54 of the Listing Rules, Regal REIT is required to re-comply with the announcement and Independent Unitholders' approval requirements (if applicable) in relation to the Lease and Guarantee Extension before the proposed annual cap for the Lease and Guarantee Extension is exceeded or if it proposes to effect a material change to the terms of the Extended Lease Agreements and Extended Lease Guarantees.

As at the Latest Practicable Date, other than Mr. LO Yuk Sui, Miss LO Po Man, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai (who are directors of the Lessee, Regal Hotels, Paliburg and Century City) and Mr. Bowen Joseph LEUNG Po Wing, GBS, JP and Mr. Abraham SHEK Lai Him, GBS, JP (who are independent non-executive directors of Paliburg), none of the Directors had any material interest in the Lease and Guarantee Extension which required any of them to abstain from voting on the relevant board resolutions of the Manager for approving such transactions under the Articles of Association and the Compliance Manual.

(c) *HMA Extension*

Since the 2013 CCT Waiver in respect of the Hotel Management Agreements is due to expire upon the expiry date of the respective Hotel Management Agreements (being 9 February 2024 in respect of the SW Hotel Management Agreement and 27 July 2024 in respect of the FH Hotel Management Agreement), the continuing connected party transactions of Regal REIT under the Hotel Management Agreements will, until these dates, be subject to the terms and conditions of the 2013 CCT Waiver as set out in the Acquisition Circular.

As the continuing connected transactions resulting from the HMA Extension will follow the expiry of the 2013 CCT Waiver for the underlying Hotel Management Agreements, such transactions will be regulated by reference to the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). As the highest applicable percentage ratio calculated in respect of the proposed annual caps applicable to the transactions resulting from the HMA Extension exceeds 0.1% but is less than 5%, such transactions and the proposed annual caps applicable thereto are exempt from the circular (including the opinion and recommendations from an independent financial adviser) and Independent Unitholders' approval requirements, but are subject to the announcement, reporting, annual review and other requirements under the aforementioned rules. Nonetheless, the Manager will still voluntarily seek the Independent Unitholders' approval for the HMA Extension at the upcoming EGM. Therefore, the HMA Extension is conditional upon the passing of Ordinary Resolution No. 2.

Under Rule 14A.54 of the Listing Rules, Regal REIT is required to re-comply with the announcement and Independent Unitholders' approval requirements (if applicable) in relation to the HMA Extension before the proposed annual cap for the HMA Extension is exceeded or if it proposes to effect a material change to the terms of the Extended Hotel Management Agreements.

As at the Latest Practicable Date, other than Mr. LO Yuk Sui, Miss LO Po Man, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai (who are directors of the Hotel Manager, Regal Hotels, Paliburg and Century City) and Mr. Bowen Joseph LEUNG Po Wing, GBS, JP and Mr. Abraham SHEK Lai Him, GBS, JP (who are independent non-executive directors of Paliburg), none of the Directors had any material interest in the transactions under the HMA Extension which required any of them to abstain from voting on the relevant board resolutions of the Manager for approving such transactions under the Articles of Association and the Compliance Manual.

(d) Duration of the Lease and Guarantee Extension and the HMA Extension

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. In this case, an independent financial adviser must be appointed to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. As the duration of each of the Lease and Guarantee Extension and the HMA Extension exceeds three years, the Manager has appointed Altus Capital Limited as the independent financial adviser to explain the reason for a longer term of the underlying agreements and to confirm that it is a normal business practice for the Extended Lease Agreements, the Extended Lease Guarantees and Extended Hotel Management Agreements to be of such duration.

The Independent Financial Adviser noted that the Independent Hotel Expert has identified comparable Hong Kong hospitality REITs, hospitality groups and the Regal REIT's portfolio as comparables for the purpose of reviewing the fairness and reasonableness of the duration of the Lease and Guarantee Extension ("**Lease Comparables**"). These Lease Comparables have lease terms ranging between (i) ten years; and (ii) ten years plus extension provisions for another ten years at the discretion of the relevant REIT manager, i.e. 20 years in total. In particular, the Independent Financial Adviser noted that the lease terms of Regal REIT's other hotel properties (with the exception of Regal Airport Hotel as further explained in the "Letter from the Independent Financial Adviser" in the Circular) are also ten years.

According to the Independent Hotel Expert, the Lease Comparables (other than Regal REIT's other hotel properties and a hospitality REIT) have not published nor made public any data regarding guarantee period or third party guarantee period. The guarantee period and the extended third party guarantee period under the Extended Lease Guarantees are intended to cover up to the end of the Extended Lease Period (making an overall term of the Lease Guarantee of less than 20 years). The Independent Financial Adviser noted that such terms are the same and are consistently applied to other hotel properties of Regal REIT.

The Independent Financial Adviser also noted that the Independent Hotel Expert has identified comparable Hong Kong hospitality groups and the Regal REIT's portfolio as comparables for the purpose of reviewing the fairness and reasonableness of the duration of the HMA Extension ("**HMA Comparables**"). These HMA Comparables have operating terms ranging from 3 years to 20 years and it is noted that the Extended HMA Periods are the same as the term period of, and are consistently applied to the Regal REIT's portfolio (with the exception of Regal Airport Hotel) which are also ten years.

The duration of the Lease and Guarantee Extension and the HMA Extension is therefore in line with those of the aforesaid comparables as well as the extended lease term of Regal REIT's other hotel properties. On this basis, the Independent Financial Adviser is of the view that: (i) a term of longer than three years is required for the Lease and Guarantee Extension and the HMA Extension; (ii) the duration of the Lease and Guarantee Extension and the HMA Extension is fair and reasonable; and (iii) it is normal business practice for the Extended Lease Agreements (and by the same token, the related Extended Lease Guarantees and Extended Hotel Management Agreements) to have a duration of 10 years.

Please refer to the "Letter from the Independent Financial Adviser" in the Circular for further detail.

1.6 Review and Reporting

(a) Requirements applicable to the Extended Agreements until expiry of the 2013 CCT Waiver

Below are the review and reporting conditions of the 2013 CCT Waiver, as disclosed in the Acquisition Circular. Such requirements will apply to the Extended Agreements until expiry of the 2013 CCT Waiver for the relevant agreement.

(i) No material change

There shall be no material change to, or waiver or release by or on behalf of Regal REIT of any of its rights and any obligations of the relevant connected persons of Regal REIT under the terms and conditions of the continuing connected party transactions under the Extended Agreements, without the approval of Unitholders (other than those Unitholders who have a material interest in the relevant transactions within the meaning of 8.11 of the REIT Code) by way of an Ordinary Resolution.

(ii) Disclosure in Reports and Results Announcements

Details of the continuing connected party transactions under the Extended Agreements will be disclosed in Regal REIT's semi-annual and annual reports and results announcements, as required under 8.14 of the REIT Code.

(iii) Chapter 10 of the REIT Code

The Manager shall ensure compliance with any applicable disclosure requirements under Chapter 10 of the REIT Code. The Manager shall inform Unitholders by way of an announcement as soon as practicable of any information which is necessary to enable Unitholders to appraise the position of Regal REIT, including, without limitation, if there is: (i) any extension of the relevant completion date or long stop date or any delay in payment of damages or compensation as specified in the continuing connected party transactions under the Extended Agreements; (ii) any payments under the Lease Guarantees; (iii) any payment of hotel management fees (where paid by Regal REIT to the Hotel Manager); (iv) rent reviews under the Lease Agreements and details of the market rental packages determined by the jointly appointed independent professional property valuer for each lease year; and (v) any breach of terms of any of the continuing connected party transactions under the Extended Agreements.

(iv) Auditors' review procedures

The Manager shall engage and agree with the auditors of Regal REIT to perform certain review procedures on all of the continuing connected party transactions under the Extended Agreements in respect of each relevant financial period. The auditors will then report to the Manager on the factual findings based on the work performed by them (and a copy of such report will be provided to the SFC), confirming whether

all such continuing connected party transactions under the Extended Agreements: (a) have received the approval of the Board (including the approval of all its independent non-executive Directors); and (b) have been entered into in accordance with the terms of the agreements or deeds and the Manager's internal procedures governing the transactions.

(v) Review by the Independent Non-executive Directors

The independent non-executive Directors shall review the continuing connected party transactions under the Extended Agreements annually and confirm in Regal REIT's annual report for the relevant financial period that such transactions have been entered into: (a) in the ordinary and usual course of business of Regal REIT; (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable to Regal REIT than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements or deeds and the Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

(vi) Access to books and records

The Manager shall allow, and shall procure the counterparty to the relevant continuing connected party transactions under the Extended Agreements to allow, the auditors of Regal REIT sufficient access to their respective records for the purpose of reporting on the transactions.

(vii) Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in (iv) and/or (v) above.

(viii) 8.14 of the REIT Code

The Manager shall comply in full with the requirements of 8.14 of the REIT Code where there is any material change to the terms of any continuing connected party transactions under the Extended Agreements or where there is any subsequent change to the REIT Code which may impose stricter requirements in respect of disclosure and/or unitholders' approvals.

(b) Requirements applicable to the Extended Agreements after expiry of the 2013 CCT Waiver

Below are the review and reporting requirements of 8.7A of the REIT Code and Rules 14A.55 to 14A.59, Rule 14A.71 and Rule 14A.72 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). Such requirements will apply to the Extended Agreements after expiry of the 2013 CCT Waiver for the relevant agreement.

(i) Annual Reports

A brief summary of the Extended Agreements containing the information specified in rules 14A.71 and 14A.72 of the Listing Rules shall be included in Regal REIT's annual reports.

(ii) Annual Review by the Auditors

In respect of each relevant financial year, the Manager shall engage the auditors of Regal REIT to report on the Extended Agreements annually. The auditors of Regal REIT must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that any such transactions: (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of Regal REIT; (c) were not entered into, in all material respects, in accordance with the relevant agreement governing it; and (d) have exceeded the applicable annual cap. The Manager shall provide a copy of such auditors' letter to the SFC at least 10 business days before the bulk printing of the annual report of Regal REIT.

(iii) Annual Review by the Independent Non-executive Directors

The Independent Non-executive Directors shall review the continuing connected party transactions under the Extended Agreements annually and confirm in Regal REIT's annual report for the relevant financial period that each Extended Agreement has been entered into: (a) in the ordinary and usual course of business of Regal REIT; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of Regal REIT and the Unitholders as a whole.

(iv) Auditors' Access to Records

The Manager shall allow, and ensure that the counterparties to the Extended Agreements allow, the auditors of Regal REIT sufficient access to their records for the purpose of reporting on such transactions.

(v) *Notification to the SFC*

The Manager shall promptly notify the SFC and publish an announcement if the Independent Non-executive Directors and/or the auditors of Regal REIT cannot confirm the matters set out above. The SFC may require Regal REIT to re-comply with the announcement and unitholders' approval requirements and may impose additional conditions.

1.7 Opinions of the Board

The Board (including all the Independent Non-executive Directors but excluding Directors interested in the matters below) is of the view that:

- (a) the Lease and Guarantee Extension (including the annual caps applicable thereto): (i) constitutes the best available deal for Regal REIT; (ii) is in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; (iii) is fair and reasonable and in the best interests of Regal REIT, Independent Unitholders, as well as Unitholders as a whole, notwithstanding that no specific deals with alternative parties have been sought or considered by the Manager; and (iv) is consistent with Regal REIT's investment policy and in compliance with the REIT Code and the Trust Deed; and
- (b) the HMA Extension (including the annual caps applicable thereto): (i) constitutes the best available deal for Regal REIT; (ii) is in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; (iii) is fair and reasonable and in the best interests of Regal REIT, Independent Unitholders, as well as Unitholders as a whole, notwithstanding that no specific deals with alternative parties have been sought or considered by the Manager; and (iv) is consistent with Regal REIT's investment policy and in compliance with the REIT Code and the Trust Deed.

Accordingly, the Board recommends that the Independent Unitholders vote in favour of the CCT Ordinary Resolutions which will be proposed at the EGM to approve the Lease and Guarantee Extension (including the annual caps applicable thereto) and the HMA Extension (including the annual caps applicable thereto).

Colliers International (Hong Kong) Limited has been appointed as the Independent Hotel Expert to provide its opinion on whether the Lease and Guarantee Extension and the HMA Extension (including the annual caps applicable thereto) are entered into on normal commercial terms and consistent with normal business practices for contracts of the relevant type entered into by other comparable trusts, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager. Taking into account the Letter from the Independent Financial Adviser, the Board considers the appointment of the Independent Hotel Expert to be acceptable.

1.8 Opinion of the Independent Financial Adviser

Pursuant to Rule 14A.44 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code), the Independent Financial Adviser has been appointed to make recommendations to the Independent Board Committee, the Independent Unitholders and the Trustee on the Lease and Guarantee Extension and the HMA Extension.

The Independent Financial Adviser is of the view that the Lease and Guarantee Extension (including the annual caps applicable thereto) and the HMA Extension (including the annual caps applicable thereto): (a) constitute the best available deal for Regal REIT; (b) are entered into in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; (c) are fair and reasonable and in the best interests of Regal REIT, Independent Unitholders, as well as Unitholders as a whole, notwithstanding that no specific deals with alternative parties have been sought or considered by the Manager; and (d) are consistent with Regal REIT's investment policy and in compliance with the REIT Code and the Trust Deed.

Details of the Independent Financial Adviser's opinion, together with the principal factors taken into consideration (including consultation with, and the opinion of, the Independent Hotel Expert on whether the Lease and Guarantee Extension and the HMA Extension are consistent with normal business practice for contracts of the relevant type entered into by other comparable trusts), and assumptions and qualifications in arriving at such opinion, are set out in the "Letter from the Independent Financial Adviser" in the Circular. As stated therein, the Independent Financial Adviser is of the view that the appointment of the Independent Hotel Expert is acceptable.

1.9 Opinion of the Independent Board Committee

Pursuant to Rule 14A.40 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code), the Independent Board Committee (comprising Mr. John William CRAWFORD, JP and Mr. Kai Ole RINGENSON, both of whom are Independent Non-executive Directors who have no direct or indirect interests in the Lease and Guarantee Extension and the HMA Extension) has been established by the Board to advise the Independent Unitholders on the Lease and Guarantee Extension and the HMA Extension (including the annual caps applicable thereto). Having taken into account the opinion and recommendation of the Independent Financial Adviser and the principal factors and reasons considered by them, the Independent Board Committee is of the view that the Lease and Guarantee Extension (including the annual caps applicable thereto) and the HMA Extension (including the annual caps applicable thereto): (a) constitute the best available deal for Regal REIT; (b) are entered into in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; (c) are fair and reasonable and in the best interests of Regal REIT, Independent Unitholders, as well as Unitholders as a whole, notwithstanding that no specific deals with alternative parties have been sought or considered by the Manager; and (d) are consistent with Regal REIT's investment policy and in compliance with the REIT Code and the Trust Deed.

Accordingly, the Independent Board Committee recommends that the Independent Unitholders vote in favour of the CCT Ordinary Resolutions which will be proposed at the EGM to approve the Lease and Guarantee Extension (including the annual caps applicable thereto) and the HMA Extension (including the annual caps applicable thereto).

Colliers International (Hong Kong) Limited has been appointed as the Independent Hotel Expert to provide its opinion on whether the Lease and Guarantee Extension and the HMA Extension are entered into on normal commercial terms and consistent with normal business practice for contracts of the relevant type entered into by other comparable trusts, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager. Taking into account the Letter from the Independent Financial Adviser, the Independent Board Committee considers the appointment of the Independent Hotel Expert to be acceptable.

1.10 Opinion of the Trustee

Based and in sole reliance on: (a) the information and assurances provided by the Manager; (b) the opinion and recommendation of the Board; (c) the opinion of the Independent Financial Adviser; (d) the opinion of the Independent Board Committee; and (e) the previous market rental packages determined by the Independent Professional Property Valuer, and having taken into account its duties set out in the Trust Deed and the REIT Code, the Trustee:

- (a) has no objection to the Lease and Guarantee Extension (including the annual caps applicable thereto) and the HMA Extension (including the annual caps applicable thereto), subject to the Independent Unitholders' approval of the CCT Ordinary Resolutions; and
- (b) is of the view that the Lease and Guarantee Extension (including the annual caps applicable thereto) and the HMA Extension (including the annual caps applicable thereto) are: (i) in the ordinary and usual course of business of Regal REIT on normal commercial terms; (ii) fair and reasonable and in the best interests of Regal REIT, Independent Unitholders, as well as Unitholders as a whole; and (iii) consistent with Regal REIT's investment policy and in compliance with the REIT Code and the Trust Deed.

Based and in sole reliance on: (a) the Letter from the Independent Financial Adviser and (b) the opinions of the Board and the Independent Board Committee, the Trustee considers the appointment of the Independent Hotel Expert to be acceptable.

The Trustee's confirmation is being furnished for the sole purpose of complying with 8.7D and 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the Lease and Guarantee Extension or the HMA Extension (including the annual caps applicable thereto) or of any statements or information made or disclosed in the Circular. The Trustee has not made any assessment of the merits or impact of the Lease and Guarantee Extension or HMA Extension (including the annual caps applicable thereto), other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who have any doubts as to the merits or impact of the Lease and Guarantee Extension or the HMA Extension (including the annual caps applicable thereto), to consider the opinions of the Independent Financial Adviser and Independent Board Committee addressed to them and to seek their own additional financial or other professional advice.

2. TRUST DEED AMENDMENTS

2.1 Proposed Trust Deed Amendments

Separate to the abovementioned matters, in order to provide additional flexibility to the Manager and Unitholders in relation to the conduct of general meetings of Unitholders, the Manager wishes to seek Unitholders' approval for the Trust Deed Amendments set out in Appendix II to the Circular, to be effected through the Second Amending and Restating Trust Deed. The major proposed amendments to the Trust Deed are summarised as follows:

- (a) to provide that the Manager may, in its absolute discretion, determine whether to hold a general meeting (including, inter alia, an annual general meeting, any adjourned meeting or postponed meeting) as a physical, hybrid or virtual meeting, where Unitholders may attend, participate and vote via electronic means or attend and vote physically at the meeting location which may be in any part of the world and at one or more locations;
- (b) to require notices of general meetings to specify additional details regarding the physical, hybrid or virtual meeting to be held;
- (c) to provide that the chairman of the general meeting may, at his/her absolute discretion, without the consent of the general meeting, and before or after the meeting has started and irrespective of whether a quorum is present, interrupt or adjourn the meeting from time to time (or indefinitely) under certain prescribed circumstances;
- (d) to provide for the proceedings of general meetings which are held at one or more locations, or as a hybrid meeting or a virtual meeting, and the powers of the Board and the chairman of the general meeting in relation thereto;
- (e) to allow the Manager to postpone or make changes to a general meeting when it in its absolute discretion consider it is inappropriate, impracticable, unreasonable or undesirable to hold the general meeting on or at the scheduled date or time or place or in the scheduled form;
- (f) to allow for votes to be cast by such means, electronic or otherwise as the Manager or the chairman of the general meeting may determine; and
- (g) to provide for modes of electronic communication between the Manager and Trustee.

2.2 Regulatory Implications

Under 9.6 of the REIT Code and Clause 26 of the Trust Deed, amendments to the Trust Deed require the sanction of a Special Resolution, save for certain limited exceptions as certified by the Trustee in writing.

Accordingly, the Manager proposes to seek the necessary Unitholders' approval for the Trust Deed Amendments at the EGM, through the Trust Deed Special Resolution. The Trust Deed Amendments are conditional upon the passing of the Trust Deed Special Resolution.

As at the Latest Practicable Date, none of the Directors had any material interest in the Trust Deed Amendments which required any of them to abstain from voting on the relevant board resolutions of the Manager for approving the Trust Deed Amendments under the Articles of Association and the Compliance Manual.

As at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager is not aware of any Unitholders that are required to abstain from voting on the Trust Deed Special Resolution at the EGM.

2.3 Opinion of the Board

Having taken into account the duties of the Manager under the Trust Deed and the REIT Code, the Board considers that the Trust Deed Amendments are being made in compliance with the modification provisions of the Trust Deed and the REIT Code, and are in the interests of Regal REIT and the Unitholders as a whole. Accordingly, the Board recommends all Unitholders to vote in favour of the Trust Deed Special Resolution.

2.4 Opinion of the Trustee

Having taken into account the duties of the Trustee under the Trust Deed and the REIT Code, and based on the information contained in the Circular, the Trustee is of the opinion that the Trust Deed Amendments are being made in compliance with the modification provisions of the Trust Deed and the REIT Code. Accordingly, the Trustee has no objection to the Trust Deed Amendments, subject to Unitholders' approval of such amendments.

The Trustee's view and confirmation above is being furnished for the sole purpose of complying with 8.7D and 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the Trust Deed Amendments or any statements or information made or disclosed in the Circular. The Trustee has not made any assessment of the impact or merits of the Trust Deed Amendments other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the impact or merits of the Trust Deed Amendments, to seek their own financial or other professional advice.

3. DESPATCH OF CIRCULAR, EGM AND CLOSURE OF REGISTER OF UNITHOLDERS

3.1 Despatch of Circular

Details of the above are more particularly set out in the Circular, which is expected to be despatched on 11 January 2024 together with the EGM Notice and the form of proxy for the EGM.

3.2 EGM

The EGM will be held at 12:00 noon on Wednesday, 31 January 2024 at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong, for the purpose of considering and, if thought fit, passing with or without amendments, the CCT Ordinary Resolutions and the Trust Deed Special Resolution set out in the EGM Notice.

3.3 Closure of Register of Unitholders

The register of Unitholders will be closed from Friday, 26 January 2024 to Wednesday, 31 January 2024, both days inclusive, to determine which Unitholders will qualify to attend and vote at the EGM, during which period no transfers of Units will be effected. For those Unitholders who are not already on the register of Unitholders, in order to qualify to attend and vote at the EGM, all Unit certificates accompanied by the duly completed transfer documents must be lodged with the Unit Registrar of Regal REIT, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Thursday, 25 January 2024. You can vote at the EGM if you are a Unitholder on Wednesday, 31 January 2024, which is the EGM Record Date.

4. GENERAL INFORMATION

Regal REIT and the Manager

Regal REIT is a real estate investment trust, the units of which were first listed on the Stock Exchange (stock code: 1881) on 30 March 2007. Managed by the Manager, Regal REIT currently has a portfolio of (a) Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel and Regal Riverside Hotel; and (b) iclub Wan Chai Hotel, iclub Sheung Wan Hotel, iclub Fortress Hill Hotel and iclub To Kwa Wan Hotel (formerly known as iclub Ma Tau Wai Hotel).

The Manager, Regal Portfolio Management Limited, is a company incorporated in Hong Kong. The Manager is appointed to manage Regal REIT and, in particular, to ensure that the financial and economic aspects of Regal REIT's assets are professionally managed in the sole interests of the Unitholders. The Manager does not manage the hotel properties directly, but oversees and supervises the performance of the lessee and the hotel manager in the management and operations of the five Regal hotels and the four iclub Hotels. As at the Latest Practicable Date, the Manager is wholly-owned by Regal Hotels, which is a company incorporated in Bermuda with limited liability and listed on the Stock Exchange (stock code: 78).

Lessee, Hotel Manager, Regal Hotels and Century City

The Lessee is a company incorporated in Hong Kong and is a wholly-owned subsidiary of Regal Hotels.

The Hotel Manager is a company incorporated in Hong Kong and is a wholly-owned subsidiary of Regal Hotels.

Regal Hotels is a company incorporated in Bermuda with limited liability and listed on the Stock Exchange (stock code: 78). Regal Hotels is the holding company of Regal REIT. Regal Hotels and its subsidiaries are principally engaged in hotel ownership, hotel operation and management, investment in Regal REIT, asset management of Regal REIT, property development and investment, aircraft ownership and leasing business and other investments including financial asset investments.

Century City is a company incorporated in Bermuda with limited liability and listed on the Stock Exchange (stock code: 355). Paliburg is a listed subsidiary of Century City and Regal Hotels is also a listed subsidiary of Century City held through Paliburg. Century City and its subsidiaries are principally engaged in property development and investment, construction and building related business, hotel ownership, hotel operation and management, asset management, aircraft ownership and leasing business and other investments including financial asset investments. Mr. LO Yuk Sui is the chairman and the controlling shareholder of Century City held through companies controlled by him.

5. DEFINITIONS

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

2013 CCT Waiver	has the meaning ascribed to it in the section headed “1.5 Regulatory Implications — (a) Background” in this announcement
2019 Lease Extension Announcement	the announcement dated 17 May 2019 issued by Regal REIT in connection with, among other things, the extension of the Lease Agreements for a further five-year period commencing from 1 January 2020 until 31 December 2024
Acquisition Circular	the circular dated 29 June 2013 issued by Regal REIT in connection with, among other things, the sale and purchase of the Hotels and the 2013 CCT Waiver
Adjusted GOP	has the meaning ascribed to this term in the Acquisition Circular
Articles of Association	the memorandum and articles of association of the Manager
associate(s)	shall bear the meaning as defined in the REIT Code
Base Rent	a fixed amount of monthly rent payable by the Lessee
Board	the board of Directors of the Manager

Business Day	a day (excluding Saturdays, Sundays and public holidays and a day on which typhoon signal no. 8 or a black rainstorm warning is or remains hoisted, between 9:00 a.m. and 5:00 p.m. and is not lowered or discontinued at or before 5:00 p.m.) on which the Stock Exchange is generally open for transaction of business and banks are generally open for business in Hong Kong
CCT Ordinary Resolutions	collectively, Ordinary Resolution No. 1 and Ordinary Resolution No. 2
Century City	Century City International Holdings Limited (stock code: 355), a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange
Circular	the circular of Regal REIT to be issued and despatched to the Unitholders on 11 January 2024
Compliance Manual	the compliance manual of the Manager in relation to the management and operation of Regal REIT
connected person	has the meaning ascribed to it in the REIT Code
Directors	the directors of the Manager
EGM	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
EGM Notice	the notice included in the Circular in respect of the EGM to consider and, if thought fit, approve the EGM Resolutions
EGM Record Date	31 January 2024, being the date by reference to which eligibility of the Unitholders to vote at the EGM will be determined
EGM Resolutions	collectively, the CCT Ordinary Resolutions and the Trust Deed Special Resolution
Excess	has the meaning ascribed to in the Acquisition Circular
Extended Agreements	collectively, the Extended Hotel Management Agreements, the Extended Lease Agreements and the Extended Lease Guarantees

Extended HMA Periods	has the meaning ascribed to it in the section headed “1.3 Extension of the Hotel Management Agreements” in this announcement
Extended Hotel Management Agreements	has the meaning ascribed to it in the section headed “1.3 Extension of the Hotel Management Agreements” in this announcement
Extended Lease Agreements	has the meaning ascribed to it in the section headed “1.2 Lease and Guarantee Extension” in this announcement
Extended Lease Guarantees	has the meaning ascribed to it in the section headed “1.2 Lease and Guarantee Extension” in this announcement
Extended Lease Period	has the meaning ascribed to it in the section headed “1.2 Lease and Guarantee Extension” in this announcement
FF&E	has the meaning ascribed to this term in the Acquisition Circular
FF&E Reserve	has the meaning ascribed to this term in the Acquisition Circular
FH Hotel Management Agreement	the hotel management agreement for iclub Fortress Hill Hotel entered between the Lessee, the FH Lessor, Regal Hotels and the Hotel Manager on 28 July 2014
FH Lease Agreement	the lease agreement for iclub Fortress Hill Hotel entered into between the FH Lessor and the Lessee on 28 July 2014 (as extended on 18 November 2019)
FH Lease Guarantee	the lease guarantee for iclub Fortress Hill Hotel entered into between Regal Hotels, the FH Lessor and the Trustee dated 28 July 2014
FH Lessor	Wise Decade Investments Limited, a wholly-owned subsidiary of Regal REIT and the direct owner of iclub Fortress Hill Hotel
Gross Revenues	has the meaning ascribed to it in the Acquisition Circular

HK\$	Hong Kong dollars, the lawful currency of Hong Kong
HMA Extension	has the meaning ascribed to it in the section headed “1.3 Extension of the Hotel Management Agreements” in this announcement
Hong Kong	the Hong Kong Special Administrative Region of the People’s Republic of China
Hotels	collectively, iclub Fortress Hill Hotel and iclub Sheung Wan Hotel, each a “Hotel”
Hotel Management Agreements	collectively, the FH Hotel Management Agreement and the SW Hotel Management Agreement, each a “Hotel Management Agreement”
Hotel Manager	Regal Hotels International Limited, a company incorporated in Hong Kong which is a wholly-owned subsidiary of Regal Hotels
iclub Fortress Hill Hotel	the iclub Fortress Hill Hotel situated at 18 Merlin Street, North Point, Hong Kong
iclub Sheung Wan Hotel	the iclub Sheung Wan Hotel situated at 138 Bonham Strand, Sheung Wan, Hong Kong
Independent Board Committee	the independent committee of the Board (comprising Mr. John William CRAWFORD, JP and Mr. Kai Ole RINGENSON, both of whom are Independent Non-executive Directors who have no direct or indirect interests in the Lease and Guarantee Extension and the HMA Extension) which has been established to advise the Independent Unitholders on the Lease and Guarantee Extension and the HMA Extension

Independent Financial Adviser	Altus Capital Limited, a licensed corporation to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Manager to advise the Independent Board Committee, the Independent Unitholders and the Trustee in respect of (i) the Lease and Guarantee Extension and the transactions contemplated thereunder (including the proposed annual caps applicable thereto) and the HMA Extension (including the proposed annual caps applicable thereto); and (ii) the duration of the Lease and Guarantee Extension and the HMA Extension
Independent Hotel Expert	Colliers International (Hong Kong) Limited
Independent Non-executive Directors	the independent non-executive directors of the Manager
Independent Professional Property Valuer	the independent professional property valuer jointly appointed by the parties to the relevant Extended Lease Agreement
Independent Unitholder(s)	Unitholder(s) who are entitled to vote on the respective EGM Resolutions at the EGM
Latest Practicable Date	3 January 2024, being the latest practicable date prior to the printing of the Circular for ascertaining certain information contained herein
Lease Agreements	collectively, the FH Lease Agreement and the SW Lease Agreement, each a “Lease Agreement”
Lease and Guarantee Extension	has the meaning ascribed to it in the section headed “1.2 Lease and Guarantee Extension” in this announcement
Lease Guarantees	collectively, the FH Lease Guarantee and the SW Lease Guarantee, each a “Lease Guarantee”
Lessee	Favour Link International Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Regal Hotels

Lessors	collectively, the FH Lessor and the SW Lessor, each a “Lessor”
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Manager	Regal Portfolio Management Limited (in its capacity as the manager of Regal REIT), a company incorporated in Hong Kong and a wholly-owned subsidiary of Regal Hotels
Market Rental Package(s)	the market rental package(s) determined by the Independent Professional Property Valuer, including the amount of market rents (including Base Rent and Variable Rent), the amount of the security deposit, the Lessee’s contribution to the furniture, fixtures and equipment reserve and the manner of payment proposed for the relevant lease year
Operating Equipment	has the meaning ascribed to it in the Acquisition Circular
Ordinary Resolution	a resolution proposed and passed as such by a majority consisting of more than 50% of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened under the provisions of the Trust Deed
Ordinary Resolution No. 1	the Ordinary Resolution in respect of the Lease and Guarantee Extension as set out in the EGM Notice
Ordinary Resolution No. 2	the Ordinary Resolution in respect of the HMA Extension as set out in the EGM Notice
Owner	has the meaning ascribed to this term in the section headed “1.3 Extension of the Hotel Management Agreements — (a) Key terms of the Extended Hotel Management Agreements” in this announcement
Paliburg	Paliburg Holdings Limited (stock code: 617), a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange

REIT Code	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified
REIT(s)	real estate investment trust(s)
Regal Hotels	Regal Hotels International Holdings Limited (stock code: 78), a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange
Regal Hotels Group	Regal Hotels and its subsidiaries
Second Amending and Restating Trust Deed	the amending and restating trust deed proposed to be adopted by Regal REIT to amend and restate the Trust Deed with the proposed amendments as set out in the section headed “Appendix II — Details of the Proposed Amendments to the Trust Deed” in the Circular
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified and the rules thereunder
Special Resolution	a resolution of Unitholders passed by a majority consisting of 75% or more of the votes of those present and entitled to vote, whether in person or by proxy, at a general meeting of Unitholders, where the votes shall be taken by way of poll but with a quorum of two or more Unitholders holding not less than 25% of the Units in issue
Stock Exchange	The Stock Exchange of Hong Kong Limited
Substantial Unitholder	a Unitholder who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of Regal REIT or any of its subsidiaries
Supplemental Agreements	collectively, the Supplemental Lease Agreements, the Supplemental Lease Guarantees and the Supplemental Hotel Management Agreements

Supplemental Hotel Management Agreements	the supplemental deeds extending the relevant Hotel Management Agreement dated 11 January 2024 between the same parties to the relevant Hotel Management Agreements
Supplemental Lease Agreements	the supplemental deeds extending the relevant Lease Agreement dated 11 January 2024 between the same parties to the relevant Lease Agreement
Supplemental Lease Guarantees	the supplemental deeds extending the relevant Lease Guarantee dated 11 January 2024 between the same parties to the relevant Lease Guarantee
SW Hotel Management Agreement	the hotel management agreement for iclub Sheung Wan Hotel entered into between the Lessee, the SW Lessor, Regal Hotels and the Hotel Manager on 10 February 2014
SW Lease Agreement	the lease agreement for iclub Sheung Wan Hotel entered into between SW Lessor and the Lessee on 10 February 2014 (as extended on 18 November 2019)
SW Lease Guarantee	the lease guarantee for iclub Sheung Wan Hotel entered into between Regal Hotels, the SW Lessor and the Trustee on 10 February 2014
SW Lessor	Tristan Limited, a wholly-owned subsidiary of Regal REIT and the direct owner of iclub Sheung Wan Hotel
Trust Deed	the trust deed constituting Regal REIT dated 11 December 2006 (as amended and restated by a first amending and restating deed dated 23 March 2021), entered into between the Trustee and the Manager, as amended, supplemented and/or otherwise modified from time to time
Trust Deed Amendments	the proposed amendments to the Trust Deed as set out in Appendix II to the Circular
Trust Deed Special Resolution	the Special Resolution in respect of the Trust Deed Amendments as set out in the EGM Notice

Trustee	DB Trustees (Hong Kong) Limited, in its capacity as trustee of Regal REIT, or such other person as may from time to time be appointed as the trustee of Regal REIT. All references to the Trustee in this announcement are, as the context may require, to the Trustee acting on behalf of Regal REIT and on the instructions of the Manager
Unit	one undivided unit in Regal REIT
Unitholders	holders of a Unit from time to time
Variable Rent	a percentage of the Excess (if any) to be paid by the Lessee as variable rent
%	per cent

By Order of the Board
Regal Portfolio Management Limited
(as manager of Regal Real Estate Investment Trust)
Simon LAM Man Lim
Executive Director

Hong Kong, 11 January 2024

As at the date of this announcement, the Board comprises Mr. LO Yuk Sui as Chairman and Non-executive Director; Miss LO Po Man as Vice Chairman and Non-executive Director; Mr. Johnny CHEN Sing Hung and Mr. Simon LAM Man Lim as Executive Directors; Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai as Non-executive Directors; and Mr. John William CRAWFORD, JP, Mr. Bowen Joseph LEUNG Po Wing, GBS, JP, Mr. Kai Ole RINGENSON and Mr. Abraham SHEK Lai Him, GBS, JP as Independent Non-executive Directors.