
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution licensed to deal in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your units in Regal REIT, you should at once hand this Circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



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) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

ALTUS CAPITAL LIMITED

A letter to the Unitholders is set out on pages 10 to 44 of this Circular.

A notice convening the EGM of Regal REIT to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Wednesday, 31 January 2024 at 12:00 noon is set out on pages N-1 to N-3 of this Circular. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the Unit Registrar of Regal REIT, Computershare Hong Kong Investor Services Limited of Shops 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

There will be no distribution of corporate gifts or serving of refreshments at the EGM.

11 January 2024

TABLE OF CONTENTS

	Page
CORPORATE INFORMATION	1
DEFINITIONS	3
LETTER TO THE UNITHOLDERS	10
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	IBC-1
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	IFA-1
APPENDIX I — GENERAL INFORMATION	I-1
APPENDIX II — DETAILS OF THE PROPOSED AMENDMENTS TO THE TRUST DEED	II-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	N-1

CORPORATE INFORMATION

Regal REIT	Regal Real Estate Investment Trust, a collective investment scheme constituted by the Trust Deed as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time, and where the context requires, including companies and/or special purpose vehicles owned and/or controlled by it
Manager	Regal Portfolio Management Limited (in its capacity as manager of Regal REIT) Unit No. 2001, 20th Floor 68 Yee Wo Street Causeway Bay Hong Kong
Directors of the Manager	
<i>Non-executive Directors</i>	Mr. LO Yuk Sui (Chairman) Miss LO Po Man (Vice Chairman) Mr. Jimmy LO Chun To Mr. Kenneth NG Kwai Kai
<i>Executive Directors</i>	Mr. Johnny CHEN Sing Hung Mr. Simon LAM Man Lim
<i>Independent Non-executive Directors</i>	Mr. John William CRAWFORD, JP Mr. Bowen Joseph LEUNG Po Wing, GBS, JP Mr. Kai Ole RINGENSON Mr. Abraham SHEK Lai Him, GBS, JP
Trustee	DB Trustees (Hong Kong) Limited (in its capacity as trustee of Regal REIT) Level 60, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Unit Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Legal Advisers to the Manager	Baker & McKenzie 14th Floor, One Taikoo Place 979 King's Road Quarry Bay Hong Kong

CORPORATE INFORMATION

Legal Advisers to the Trustee Allen & Overy
9th Floor, Three Exchange Square
Central
Hong Kong

Independent Financial Adviser Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated. Also, where terms are defined and used in only one section of this document, these defined terms are not included in the table below.

2013 CCT Waiver	has the meaning ascribed to it in the section headed “2.5 Regulatory Implications — (a) Background” of the “Letter to the Unitholders” in this Circular
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
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

DEFINITIONS

EGM	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
EGM Notice	the notice included in this 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 “2.3 Extension of the Hotel Management Agreements” of the “Letter to the Unitholders” in this Circular
Extended Hotel Management Agreements	has the meaning ascribed to it in the section headed “2.3 Extension of the Hotel Management Agreements” of the “Letter to the Unitholders” in this Circular
Extended Lease Agreements	has the meaning ascribed to it in the section headed “2.2 Lease and Guarantee Extension” of the “Letter to the Unitholders” in this Circular
Extended Lease Guarantees	has the meaning ascribed to it in the section headed “2.2 Lease and Guarantee Extension” of the “Letter to the Unitholders” in this Circular
Extended Lease Period	has the meaning ascribed to it in the section headed “2.2 Lease and Guarantee Extension” of the “Letter to the Unitholders” in this Circular
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

DEFINITIONS

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 “2.3 Extension of the Hotel Management Agreements” of the “Letter to the Unitholders” in this Circular
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

DEFINITIONS

Independent Financial Adviser	Altus Capital Limited, a corporation licensed 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 this 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 “2.2 Lease and Guarantee Extension” of the “Letter to the Unitholders” in this Circular
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

DEFINITIONS

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 "2.3 Extension of the Hotel Management Agreements — (a) Key terms of the Extended Hotel Management Agreements" of the "Letter to the Unitholders" in this Circular
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

DEFINITIONS

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 this 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 Agreement
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)

DEFINITIONS

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 this 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 Circular 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

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Hong Kong time unless otherwise stated.

LETTER TO THE UNITHOLDERS



REGAL REIT
富豪產業信託

REGAL REAL ESTATE INVESTMENT TRUST

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

(Stock Code: 1881)

Managed by



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

Directors of the Manager:

Non-executive Directors

Mr. LO Yuk Sui (*Chairman*)
Miss LO Po Man (*Vice Chairman*)
Mr. Jimmy LO Chun To
Mr. Kenneth NG Kwai Kai

Executive Directors

Mr. Johnny CHEN Sing Hung
Mr. Simon LAM Man Lim

Independent Non-executive Directors

Mr. John William CRAWFORD, JP
Mr. Bowen Joseph LEUNG Po Wing, GBS, JP
Mr. Kai Ole RINGENSON
Mr. Abraham SHEK Lai Him, GBS, JP

Registered Office:

Unit No. 2001
20th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

11 January 2024

To: The Unitholders of Regal REIT

Dear Sir or Madam,

- (1) CONTINUING CONNECTED PARTY TRANSACTIONS;
(2) PROPOSED AMENDMENTS TO TRUST DEED OF REGAL REIT;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER TO THE UNITHOLDERS

1. INTRODUCTION

Reference is made to the announcement of Regal REIT dated 11 January 2024 in relation to, among other things, the Lease and Guarantee Extension, the HMA Extension and the Trust Deed Amendments.

The purpose of this Circular is to provide the Unitholders with, among other things:

- (a) information on the CCT Ordinary Resolutions relating to the Lease and Guarantee Extension and the HMA Extension and the Trust Deed Special Resolution relating to the Trust Deed Amendments;
- (b) the letters from each of the Independent Board Committee and the Independent Financial Adviser for the CCT Ordinary Resolutions relating to the Lease and Guarantee Extension and the HMA Extension; and
- (c) the notice of the EGM.

2. CONTINUING CONNECTED PARTY TRANSACTIONS

2.1 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).

2.2 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**").

LETTER TO THE UNITHOLDERS

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.

LETTER TO THE UNITHOLDERS

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.

LETTER TO THE UNITHOLDERS

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 services 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.

LETTER TO THE UNITHOLDERS

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.

LETTER TO THE UNITHOLDERS

(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	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: (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 (b) three (3) months' base rent, rates and government rent.
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.

LETTER TO THE UNITHOLDERS

(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	31 December 2015	31 December 2016	31 December 2017	31 December 2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
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
	31 December 2019	31 December 2020	31 December 2021	31 December 2022	months ended 30 June 2023
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
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.

LETTER TO THE UNITHOLDERS

(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

LETTER TO THE UNITHOLDERS

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.

2.3 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.

LETTER TO THE UNITHOLDERS

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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

LETTER TO THE UNITHOLDERS

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.

LETTER TO THE UNITHOLDERS

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).

LETTER TO THE UNITHOLDERS

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.

LETTER TO THE UNITHOLDERS

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.

LETTER TO THE UNITHOLDERS

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.

LETTER TO THE UNITHOLDERS

**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.

LETTER TO THE UNITHOLDERS

(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	31 December	31 December	31 December	31 December
	2014	2015	2016	2017	2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
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 year ended				For the six
	31 December	31 December	31 December	31 December	months ended
	2019	2020	2021	2022	30 June 2023
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
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.

LETTER TO THE UNITHOLDERS

(c) New Annual Caps

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

	For the year ending					
	31 December 2024	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>	<i>(HK\$'000)</i>
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 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 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 “2.2 Lease and Guarantee Extension - (d) Annual Caps” above.

LETTER TO THE UNITHOLDERS

2.4 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.

LETTER TO THE UNITHOLDERS

(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.

LETTER TO THE UNITHOLDERS

(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.

LETTER TO 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.

2.5 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.

LETTER TO THE UNITHOLDERS

(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

LETTER TO THE UNITHOLDERS

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 practices 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 practices 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 this Circular) are also ten years.

LETTER TO THE UNITHOLDERS

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 practices 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 this Circular for further detail.

2.6 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.

LETTER TO THE UNITHOLDERS

(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.

LETTER TO THE UNITHOLDERS

(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.

LETTER TO THE UNITHOLDERS

(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.

2.7 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).

LETTER TO THE UNITHOLDERS

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.

2.8 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 practices 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 this Circular. As stated therein, the Independent Financial Adviser is of the view that the appointment of the Independent Hotel Expert is acceptable.

2.9 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

LETTER TO THE UNITHOLDERS

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 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 Independent Board Committee considers the appointment of the Independent Hotel Expert to be acceptable.

2.10 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.

LETTER TO THE UNITHOLDERS

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 this Circular. The Trustee has not made any assessment of the merits or impact of the Lease and Guarantee Extension or the 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.

3. TRUST DEED AMENDMENTS

3.1 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 this 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;

LETTER TO THE UNITHOLDERS

- (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.

3.2 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.

3.3 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.

3.4 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 this 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.

LETTER TO THE UNITHOLDERS

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 this 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.

4. EGM, CLOSURE OF REGISTER OF UNITHOLDERS AND RESTRICTIONS ON VOTING

4.1 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 on pages N-1 to N-3 in this Circular.

4.2 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 pm on Thursday, 25 January 2024.

4.3 Voting

You can vote at the EGM if you are a Unitholder on Wednesday, 31 January 2024, which is referred to in this Circular as the EGM Record Date. You will find enclosed with this Circular the EGM Notice (please refer to pages N-1 to N-3 in this Circular) and a form of proxy for use for the EGM.

Your vote is very important. Accordingly, please complete, sign and date the enclosed form of proxy, whether or not you plan to attend the EGM in person, in accordance with the instructions printed on the form of proxy, and return it to the Unit Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER TO THE UNITHOLDERS

Persons who have an interest in the EGM Resolutions must decline to accept appointment as proxies in respect of the EGM Resolutions unless the Unitholder concerned has specific instructions in his form of proxy as to the manner in which his votes are to be cast in respect of the EGM Resolutions.

4.4 Restriction on Voting on the resolutions

8.7F and 9.9(f) of the REIT Code provides that where a Unitholder has a material interest in a resolution tabled for approval, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting its own Units at or being counted in the quorum for the general meeting.

Further, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in a resolution tabled for approval at a general meeting of the Unitholders, and that interest is different from the interests of other Unitholders (as determined by the Manager (where the Unitholder(s) concerned is (are) not connected persons of the Manager) or the Trustee (where the Unitholder(s) concerned is (are) not connected persons of the Trustee), such Unitholder shall be prohibited from voting its Units at or being counted in the quorum for the general meeting.

Regal Hotels, the Lessee and the Hotel Manager are parties to the agreements underlying the Lease and Guarantee Extension and the HMA Extension, and as such, have a material interest in the CCT Ordinary Resolutions that is different from the interests of other Unitholders. Pursuant to the Trust Deed and the REIT Code, Regal Hotels has agreed that it will abstain, and will procure that each of its associates (as defined in the REIT Code, and includes the Lessee and the Hotel Manager as associates of Regal Hotels) who are Unitholders to abstain, from voting on the CCT Ordinary Resolutions, except pursuant to a proxy given by Independent Unitholders where a specific direction as to voting is given. So far as the Manager is aware, as at the Latest Practicable Date, the aggregate number of Units held by Regal Hotels and its associates was 2,443,033,102 Units, which represents approximately 74.99% of the Units in issue.

To the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that save as disclosed above with respect to the CCT Ordinary Resolutions, no Unitholders are required to abstain from voting at the EGM in respect of the CCT Ordinary Resolutions and the Trust Deed Special Resolution.

5. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this circular and the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-29 of this Circular and the information set out in the appendices to this Circular.

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



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



11 January 2024

To: The Independent Unitholders of Regal REIT

Dear Sir or Madam,

LEASE AND GUARANTEE EXTENSION AND HMA EXTENSION

We have been appointed as members of the Independent Board Committee to advise you in respect of the Lease and Guarantee Extension and the HMA Extension, details of which are set out in the “Letter to the Unitholders” in the circular dated 11 January 2024 from the Manager to the Unitholders (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

The Independent Financial Adviser has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee on the Lease and Guarantee Extension and the HMA Extension. Details of the Independent Financial Adviser’s opinion and recommendation (including the reasons for its opinion, the key assumptions made and the factors that it has taken into consideration in forming the opinion) are set out in the Letter from the Independent Financial Adviser, the text of which is contained in the Circular.

Having taken into account the opinion and recommendation of the Independent Financial Adviser and the principal factors and reasons considered by them, we confirm that in our opinion 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;

LETTER FROM INDEPENDENT BOARD COMMITTEE

- (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 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 Independent Board Committee considers the appointment of the Independent Hotel Expert to be acceptable.

Yours faithfully,

For and on behalf of Independent Board Committee of
Regal Portfolio Management Limited
(as manager of Regal Real Estate Investment Trust)

**Mr. John William
CRAWFORD, JP**
*Independent
Non-executive Director*

**Mr. Kai Ole
RINGENSON**
*Independent
Non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to 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); (ii) the HMA Extension (including the annual caps applicable thereto); and (iii) the duration of the Lease and Guarantee Extension and the HMA Extension, which is prepared for the purpose of incorporation into this Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

11 January 2024

*To the Independent Board Committee,
the Independent Unitholders and the Trustee*

Dear Sirs,

CONTINUING CONNECTED PARTY TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee in respect of:

- (i) (a) the proposed extension and amendments of the SW Lease Agreement for iclub Sheung Wan Hotel, and the extension of the SW Lease Guarantee of iclub Sheung Wan Hotel; and
- (b) the proposed extension and amendments of the FH Lease Agreement for iclub Fortress Hill Hotel, and the extension of the FH Lease Guarantee of iclub Fortress Hill Hotel; and
- (ii) (a) extension and amendments of the SW Hotel Management Agreement for iclub Sheung Wan Hotel; and
- (b) extension and amendments of the FH Hotel Management Agreement for iclub Fortress Hill Hotel; and
- (iii) the duration of the Lease and Guarantee Extension and the HMA Extension.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Details of the Lease and Guarantee Extension (including the proposed annual caps applicable thereto) and the HMA Extension (including the proposed annual caps applicable thereto) are set out in the “Letter to the Unitholders” contained in the circular of Regal Real Estate Investment Trust (“**Regal REIT**”) dated 11 January 2024 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 11 January 2024, the parties to each of Lease Agreements entered into a corresponding Supplemental Lease Agreement to extend the term of each Lease Agreement for iclub Sheung Wan Hotel and iclub Fortress Hill Hotel respectively for a further ten (10) years, commencing from 1 January 2025 to 31 December 2034. On the same date, the parties to each of the Lease Guarantees also entered into a corresponding Supplemental Lease Guarantee to extend Regal Hotel’s obligation to maintain a third party guarantee so as to cover the duration of the Extended Lease Period.

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; and (ii) include a non-fault based early termination provision exercisable only by the relevant Lessor.

REGULATORY IMPLICATIONS

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.

Since the 2013 CCT Waiver in respect of the Lease Agreements and Lease Guarantees as well as the Hotel Management Agreements is due to expire upon the expiry date of the Lease Agreements and the respective Hotel Management Agreements, the continuing connected party transactions of Regal REIT under the Lease Agreements, the Lease Guarantees and the Hotel Management Agreements will, until the respective expiry 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 (i) the Lease and Guarantee Extension will follow the expiry of the 2013 CCT Waiver for the underlying Lease Agreements; and (ii) 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 Lease and Guarantee Extension exceeds 5%, such transactions and the proposed annual caps applicable thereto are subject to the Independent Unitholders’ approval, announcement, reporting, annual review and other requirements under the aforementioned rules. Therefore, the Lease and Guarantee Extension (including the proposed annual caps applicable thereto) is conditional upon the passing of the Ordinary Resolution No. 1.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 voluntarily seek the Independent Unitholders' approval for the HMA Extension at the upcoming EGM. Therefore, the HMA Extension (including the proposed annual caps applicable thereto) 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 (i) 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 and (ii) 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.

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 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 is required to appoint an 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 the Extended Hotel Management Agreements to be of such duration.

THE INDEPENDENT BOARD COMMITTEE

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

INDEPENDENT FINANCIAL ADVISER

Altus Capital Limited, the independent financial adviser, is independent of (i) Regal REIT; (ii) the Trustee; (iii) the Manager; (iv) each of the Substantial Unitholders; and (v) their respective associates. Apart from normal professional fees payable to us in connection with this appointment and other similar engagements, no arrangements exist whereby we will receive any fees or benefits from Regal REIT, the Manager or any other party to the Lease and Guarantee Extension or the HMA Extension.

As the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee, our role is to give an independent opinion to the Independent Board Committee, the Independent Unitholders and the Trustee as to whether the Lease and Guarantee Extension (including the annual caps applicable to the Lease and Guarantee Extension) and the HMA Extension (including the annual caps applicable to the HMA Extension) (i) constitute the best available deal for Regal REIT; (ii) are entered into in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; (iii) are fair and reasonable and in the best interests of Regal REIT, the Independent Unitholders, as well as the Unitholders as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager; and (iv) are consistent with Regal REIT's investment policy and in compliance with the REIT Code and the Trust Deed.

As the duration of each of the Lease and Guarantee Extension and the HMA Extension exceeds three years, our role as the Independent Financial Adviser is to explain the reason for a longer term of the underlying agreements and to confirm that it is a normal business practices for the Extended Lease Agreements, the Extended Lease Guarantees and the Extended Hotel Management Agreements to be of such duration.

We have not acted as independent financial adviser of Regal REIT or any of the Unitholders for the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules and as if such provision were applicable to Regal REIT, and given that remuneration for our engagement to opine on the Lease and Guarantee Extension (including the proposed annual caps applicable thereto) and the HMA Extension (including the proposed annual caps applicable thereto) are at market level and not conditional upon successful passing of the CCT Ordinary Resolutions to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of the parties mentioned above.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed the relevant Lease Agreements, Supplemental Lease Agreements, Lease Guarantees, Supplemental Lease Guarantees, Hotel Management Agreements and Supplemental Hotel Management Agreements, the opinion provided to us by the Independent Hotel Expert, the 2013 CCT Waiver and the relevant announcements, circulars and annual reports published by Regal REIT. In addition to reviewing the aforementioned documents, we have also had discussions with the management of the Manager and the Independent Hotel Expert.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Manager and have assumed that the information, facts and opinions provided to us are true and accurate. We have also sought and received confirmation from the Directors and management of the Manager that no material factors have been omitted from the information supplied and opinions expressed. We have no reason to doubt the truth, accuracy and completeness of the information provided to us or to believe that any material fact or information has been omitted or withheld. We consider that we have been provided with and have reviewed sufficient information to reach an informed view. We have also assumed that the statements and representations made or referred to in the Circular were accurate and not misleading at the time they were made and continue to be accurate and not misleading at the date of the EGM.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to Regal REIT contained or referred to in the Circular and/or provided to us by the Manager, and the Directors have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of Regal REIT, and have taken into consideration the Independent Hotel Expert's opinion provided to us.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons as set out below.

1. Information on Regal REIT and the Manager

Regal REIT was formed to own an investment portfolio of hotel properties initially in Hong Kong. Its primary objectives would be to provide stable distributions to Unitholders and to achieve long-term capital growth in net asset value per Unit. The Manager intends to achieve such objectives by way of (i) internal growth through asset enhancement opportunities and operational improvements; (ii) external growth through potential acquisitions that meet the Manager's investment criteria; and (iii) financing through an appropriate capital structure.

2. Lease and Guarantee Extension

Under the Lease and Guarantee Extension, it involves the Extended Lease Agreements and the Extended Lease Guarantees. Set out below are the key terms of the aforesaid agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.1 Key terms of the Extended Lease Agreements

2.1.1 Extended Lease Period

As disclosed in the Circular, iclub Sheung Wan Hotel and iclub Fortress Hill Hotel are leased to the Lessee, a wholly-owned subsidiary of Regal Hotels, under leases due to expire on 31 December 2024 according to the relevant Lease Agreements.

Pursuant to the Supplemental Lease Agreements dated 11 January 2024, the term of the Lease Agreements will be extended for a term of ten (10) years, commencing from 1 January 2025 to 31 December 2034 (both days inclusive).

The Extended Lease Period is of similar length as the current lease terms for iclub Sheung Wan Hotel and iclub Fortress Hill Hotel (being 10 February 2014 to 31 December 2024 for iclub Sheung Wan Hotel, and 28 July 2014 to 31 December 2024 for iclub Fortress Hill Hotel, the “**Current Lease Term**”). We noted that the extension is a continuation of the Current Lease Term which allows for the business continuation of the operations of the Hotels, after arm’s length negotiations between the Lessors and Lessee. The Manager is of the view, and we concur, that by entering into an extended lease period with the Lessee, it will encourage Regal Hotels and its associates to continue to be 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. Based on our discussions with the Manager, they indicated that the Lessee has so far satisfactorily met all of its obligations under the Lease Agreements, and continuation of the Current Lease Term allows for the Lessee to continue to improve on iclub Sheung Wan Hotel and iclub Fortress Hill Hotel which they are familiar with and to plan for the long term.

The Independent Hotel Expert has identified comparable Hong Kong hospitality REITs, hospitality groups and the Regal REIT’s portfolio as Lease Comparables (as defined in the section headed “5.1 Lease Comparables” below). As stated in the opinion of Independent Hotel Expert, such comparables have lease terms ranging between (i) 10 years; and (ii) 10 years plus extension provisions for another 10 years at the discretion of the relevant REIT manager (i.e. 20 years in total). In particular, we noted that the lease terms of the Regal REIT’s portfolio (with the exception of Regal Airport Hotel^{Note}) are ten (10) years.

Note: We understand that the extended lease term of Regal Airport Hotel is for a period of eight years minus four days (i.e. up to 27 December 2028). The sub-lease between Airport Authority Hong Kong and Bauhinia Hotels Limited (being the property owner of Regal Airport Hotel) will expire on 30 December 2028. The extension period of the hotel lease is therefore limited by the sub-lease.

The Extended Lease Period is therefore in line with those of the Lease Comparables. On this basis, we are of the view that: (i) a term of longer than three years (in this case 10 years) is required for the Lease and Guarantee Extension; (ii) the Extended Lease Period is fair and reasonable; and (iii) it is consistent with normal business practices that agreements of a similar nature to the Extended Lease Agreements have a duration of 10 years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Following the Lease and Guarantee Extension, the Lessors will commence negotiations with the Lessee for possible further extensions of the Lease Agreements 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. We have discussed with the Manager to understand the steps required in a lease extension negotiation process and their past experience on the length of negotiation on other hotel properties of Regal REIT. We believe the aforesaid two-year period is a reasonable timeframe for the purpose of negotiations and provides an adequate buffer for the Manager to consider contingency plans in the event that a further extension of the Lease Agreements cannot be reached between the Lessors and the Lessee.

2.1.2 Annual rent, security deposit, right to operate, routine maintenance and repair and insurance

Pursuant to the Extended Lease Agreements, the Lessor and the Lessee shall jointly appoint an independent professional property valuer before the commencement of each lease year to determine the market rental package of the relevant Hotel. Such market rental package mainly covers:

- the annual rents comprising base rent and variable rent. Base rent refers to the amount of monthly base rent payable ("**Base Rent**"), and the variable rent refers to a percentage of the amount of net property income derived from the Hotel for a lease year that exceeds the Base Rent ("**Variable Rent**"); and
- the amount of the 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.

Under the relevant Extended Lease Agreement, the Lessee has the rights and obligations, 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 size, location, level of technology and quality of service in Hong Kong, and shall provide the hotel services of a comparable standard.

Subject to the relevant Extended Lease Agreement, 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, 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.

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. In addition, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

Based on our discussion with the Independent Hotel Expert, we understand that the lease arrangements between the Lease Comparables it has identified and those under the Extended Lease Agreements are similar. These arrangements include the methods where the levels of annual rent and security deposits are determined, as well as the Lessee's right to operate and the Lessee's responsibility on routine maintenance and repair and insurance.

It is however noted that such comparable data varies case by case, probably due to specific circumstances of the relevant hotel properties, which render it not feasible and practical for Independent Hotel Expert to draw any conclusion. That said, we noted that these terms (being annual rent, security deposit, right to operate, responsibilities on routine maintenance and repair and insurance) are the same and consistently applied to other hotel properties of Regal REIT. Accordingly, we are of the view that the method to determine the annual rent and security deposit as well as the Lessee's right to operate, the responsibility on routine maintenance and repair and insurance are fair and reasonable.

2.1.3 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.

We understand that the Lessors and the Lessee have also made reference to the terms of the lease agreements of all the other hotels of Regal REIT (except for Regal Airport Hotel^{Note}), which similarly provide the relevant lessors the rights of such early termination.

Note: We understand that the Lessor did not include a similar non-fault based early termination provision in the supplemental lease agreement for Regal Airport Hotel. This was due to practicality under the then circumstances in 2019, whereby pursuant to the terms of the sub-lease between the Lessor and the Airport Authority Hong Kong, any assignment, transfer, dealing with, subletting or granting of rights over any part of Regal Airport Hotel is subject to the prior consent of the Airport Authority Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Independent Hotel Expert, such clause on the Lessor's right of early termination provision is not a common market practice among the Lease Comparables. The Independent Hotel Expert is of the view that (i) such provision is a commercial term made between the Lessors and Lessees; and (ii) the notification period of six months is not an uncommon clause under comparable circumstances, although there is no standard practice and the duration may vary case by case on its own merit. Taking into account (i) the opinion of the Independent Hotel Expert as described in section "5.1 Lease Comparables" below; and (ii) such term is the same and has been consistently applied to the Regal REIT's portfolio (all except one as mentioned in the Note above), we are of the view that such clause on the Lessor's right of early termination is to the advantage of the Lessor (which is commercially better than some of the Lease Comparables) and is therefore fair and reasonable.

2.1.4 Section summary

Having considered the above, we are of the view that (i) the Extended Lease Agreements in relation to the Lease and Guarantee Extension are entered into in the ordinary and usual course of business of Regal REIT, on normal commercial terms and at arm's length, and the terms of which are fair and reasonable; and (ii) a term of longer than three years (in this case 10 years) is required for the Lease and Guarantee Extension, the Extended Lease Period is fair and reasonable, and it is consistent with normal business practices for agreements of a similar nature to the Extended Lease Agreements, and for it to have a term longer than three years (in this case 10 years).

2.2 *Key terms of the Extended Lease Guarantees*

According to the Manager, the Supplemental Lease Guarantees are entered into to extend the terms of the original Lease Guarantees, so that Regal Hotels' obligation to maintain third party guarantee will cover the extended period, which is a normal business practice being adopted by Regal REIT since the subsistence of the Lease Agreements.

2.2.1 Guarantee and guarantee period

Under the current Lease Guarantee, Regal Hotels has unconditionally and irrevocably guaranteed: (i) 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 (ii) 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.

Under the current Lease Guarantee, the guarantee period commenced 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 Lease Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Extended Lease Guarantees, such terms will remain unchanged. Subject to the approval of the Lease and Guarantee Extension, the guarantee period under the Extend Lease Guarantees will similarly continue until the end of the relevant Supplemental Lease Agreement.

According to the Independent Hotel Expert, the Lease Comparables (other than in relation to the Regal REIT's portfolio and a hospitality REIT) have not published nor made public any data regarding guarantee arrangements under their leases. In view of the aforesaid, since such guarantee and extended guarantee period under the Extended Lease Guarantees are the same and are consistently applied to other hotel properties of Regal REIT, we are of the view that the guarantee and guarantee period are fair and reasonable.

2.2.2 Third party guarantee and third party guarantee period

Under the current Lease Guarantee, Regal Hotels is obliged to maintain third party guarantee in favour of the relevant Lessor and the Trustee. The current third party guarantee period had commenced from the execution of the relevant Lease Guarantee and continues until 31 December 2024. According to the Supplemental Lease Guarantees, Regal Hotel's obligation to maintain third party guarantees will continue to the end of the Extended Lease Period.

According to the Independent Hotel Expert, the Lease Comparables (other than in relation to the Regal REIT's portfolio) have not published nor made public any data regarding third party guarantee and relevant guarantee period under their leases. In view of the aforesaid, since this arrangement maintains the third party guarantee to cover till the end of the Extended Lease Period and such third party guarantee and extended third party guarantee period are the same and are consistently applied to other hotel properties of Regal REIT, we are of the view that the third party guarantee and third party guarantee period are fair and reasonable.

2.2.3 Section summary

Having considered the above, the Independent Hotel Expert is of the view and we concur that (i) the Extended Lease Guarantees are entered into in the ordinary and usual course of business of Regal REIT, on normal commercial terms and at arm's length, and the terms of which are fair and reasonable; and (ii) the Guarantee Period and the Extended Third Party Guarantee Period under the Extended Lease Guarantees are fair and reasonable, and they are consistent with normal business practices for agreements of a similar nature to the Extended Lease Guarantees, and for them to have a term longer than three years (in this case 10 years).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Extension of the Hotel Management Agreements

Set out below are the key terms of the aforesaid agreements.

3.1 Key terms of the Extended Hotel Management Agreements

3.1.1 Extended HMA Periods

As disclosed in the Circular, the relevant Hotel Management Agreement for iclub Sheung Wan Hotel and iclub Fortress Hill Hotel are due to expire on 9 February 2024 and 27 July 2024, respectively.

Pursuant to the Extended Hotel Management Agreements dated 11 January 2024, the term of the relevant Extended Hotel Management Agreement will be extended for a term of ten (10) years, commencing from the expiry date of the relevant Hotel Management Agreement to 31 December 2034 (both days inclusive).

The Extended HMA Periods are of similar length as the current term of ten (10) years for iclub Sheung Wan Hotel and iclub Fortress Hill Hotel (being 10 February 2014 to 9 February 2024 for iclub Sheung Wan Hotel, and 28 July 2014 to 27 July 2024 for iclub Fortress Hill Hotel, “**Current HMA Term**”). It is also co-terminus with the Extended Lease Agreements. Based on our discussions with the Manager, the performance of the Hotel Manager has so far been satisfactory and the extension is a continuation of the Current HMA Term for maintaining its business relationship with the Hotel Manager which will in turn facilitate business continuity. We concur with the Manager that given the Hotel Manager’s performance, there is no compelling reason to seek an alternative hotel manager with no track record of operating the Hotels to manage the Hotels. There is also potential business risk of having to rebrand the Hotel following a switch (as the Owner is no longer allowed to use the “iclub by Regal” brand for the Hotels if the Supplemental Hotel Management Agreements are not entered into).

According to the Independent Hotel Expert, it has identified comparable Hong Kong hospitality groups and the Regal REIT’s portfolio as HMA Comparables (as defined in the section headed “5.2 HMA Comparables” below) and the duration of their hotel management arrangements have been compared to those of the Hotels. We have taken into account (i) the opinion of Independent Hotel Expert and the fact that the HMA Comparables have operating terms ranging from 3 years to 20 years; and (ii) the fact that the Extended HMA Periods are the same as the term period of the Extended Lease Agreements, and are consistently applied to the Regal REIT’s portfolio (with the exception of Regal Airport Hotel as explained in a note set out in the section headed “2.1.1 Extended Lease Period” above) which are also ten years. Based on the above and in particular that the Extended HMA Periods are within the range of the HMA Comparables, we are of the view that it is fair and reasonable and a term of longer than three years (in this case 10 years) is required for the HMA Extension. In addition, the Independent Hotel Expert is of the view, and we concur, that the HMA Extension is consistent with normal business practice where agreements of a similar nature to the Extended Hotel Management Agreements have duration longer than three years (in this case 10 years).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.1.2 Hotel Management Fee and Marketing Fee and Reimbursable Marketing Expenses

Pursuant to the Extended Hotel Management Agreements, the Hotel Manager is entitled to payment by the Owner for the following:

- Hotel Management Fee
 - (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 the Gross Revenue; or
 - (ii) in any other cases during the terms of the relevant Extended Hotel Management Agreement, an amount equal to 2% of the Gross Revenue; 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 charge; or
 - (ii) in any other cases during the terms 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
 - (a) 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.
 - (b) 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.

According to the Independent Hotel Expert, it has compared the terms, such as method to determine the Hotel Management Fee and Marketing Fee and Reimbursable Marketing Expenses, with the HMA Comparables. Such comparables' data varies case by case, probably due to specific circumstances of each hotel, and it was not feasible for the Independent Hotel Expert to draw any conclusion from the comparison. Notwithstanding this, we noted that (i) the HMA Comparables charge base management fee in the range of 0.25% to 2.5% of the hotel's revenue and incentive management fee in the range of 1% to 8% of the hotel's adjusted gross operating profit for assets in Hong Kong; and (ii) such terms are the same and are consistently applied to the Regal REIT portfolio. Accordingly, we are of the view that the method to determine the Hotel Management Fee and Marketing Fee and Reimbursable Marketing Expenses are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.1.3 General terms of the Extended Hotel Management Agreements

Under the Extended Hotel Management Agreements, the obligations of the Owner or the Hotel Manager in respect of (i) Routine Repairs and Maintenance, (ii) Furniture, Fixtures and Equipment Reserve & Expenditure, (iii) Capital Additions, (iv) Insurance, (v) Default and Termination and (vi) Lessor's Obligation to Maintain Hotel Licence and Other Licences are clearly defined and stated.

According to the Independent Hotel Expert, no public data is available and no information in this respect was published by the HMA Comparables (other than in relation to the Regal REIT portfolio). In view of the aforesaid, since such terms are the same and are consistently applied to other hotel properties of Regal REIT, we are of the view that they are fair and reasonable.

3.1.4 Non-fault Based Early Termination

Under the Extended Hotel Management Agreements, the relevant Lessor may terminate the relevant 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.

According to the Independent Hotel Expert, such clause on the relevant Lessor's right of non-fault based early termination provision (i) is a commercial term made between the Lessor and the Hotel Manager; and (ii) the notification period of six months is not an uncommon clause under comparable circumstances, although there is no standard practice and the duration may vary case by case on its own merit. Taking into account (i) the views of the Independent Hotel Expert; and (ii) such term is the same and has been applied to iclub Wan Chai Hotel (one of the hotel properties within the Regal REIT portfolio), we are of the view that such clause on the Lessor's right of early termination is (i) to the advantage of the Lessor (which gives more flexibility to the Lessor by allowing early termination apart from performance-related reasons); and (ii) the notice period of six months is not an uncommon clause under comparable circumstances, and is therefore fair and reasonable.

To compensate the Hotel Manager, when the relevant Lessor exercises its right of early termination, an amount equal to the management fees payable for three fiscal years or the remainder of the operating term, whichever is shorter shall be paid by the relevant Lessor to the Hotel Manager accordingly. We understand from the Manager that when determining the amount payable by the relevant Lessor in the case of early termination, the relevant Lessor will take into account the Hotel Manager's loss of investments in the terminated hotel, damages resulting from ceasing business operations at the terminated hotel and costs necessary to re-enter the market. As such, such clause reflects reasonable and normal business considerations, and commonly occurs in business negotiations. From our discussion with the Independent Hotel Expert, we understand that the such amount payable to the Hotel Manager is not an uncommon clause, and the calculation method is in line with normal market practice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, we believe that the amount payable to the Hotel Manager in the event that the relevant Lessor decides to terminate Extended Hotel Management Agreements is reasonable and in line with normal market practice. Under the non-fault based early termination provision, the relevant Lessor has the absolute discretion and flexibility to terminate the agreement in the event that the relevant Lessor finds it commercially or otherwise more favourable or practicable to terminate the Extended Hotel Management Agreements. We believe the relevant Lessor will only exercise such right to terminate the agreement if it is financially reasonable, taking into account the aforesaid amount payable.

3.1.5 Section summary

Having considered the above, the Independent Hotel Expert is of the view and we concur that (i) the Extended Hotel Management Agreements in relation to the HMA Extension are entered into in the ordinary and usual course of business of Regal REIT, on normal commercial terms and at arm's length, and the terms of which are fair and reasonable and in the best interests of Regal REIT, the Independent Unitholders, as well as the Unitholders as a whole; and (ii) the HMA Extension is fair and reasonable and it is consistent with normal business practice that agreements of a similar nature to the Extended Hotel Management Agreements have duration of 10 years.

4. Rationale of the Lease and Guarantee Extension and the HMA Extension

4.1 Track record and continuity

Based on our discussions with the Manager and as detailed in the "Letter to the Unitholders" of the Circular, during the duration of the cooperation with the Lessee to date, the Lessee has (i) paid its rent and other contributions punctually and dutifully, (ii) met all of its other obligations pursuant to the Lease Agreements, and (iii) consistently been co-operative with Regal REIT on matters which require their joint input.

Having considered (i) the proven track record of the Lessee; and (ii) the Hotels have contributed positively to Regal REIT's operations (approximately 10.8% and 8.9% of Regal REIT's gross rental revenue was generated from the Hotels during the two years ended 31 December 2021 and 2022), we believe it is reasonable for the Manager to maintain status quo by continuing the Lessor's business relationship with the Lessee by extending the Lease Agreements.

If the Lease Agreements are not extended, the Lessee, which has been leasing the Hotels since their inception, will have to be replaced. Based on our discussion with the Manager, it has not come across any potential lessees (irrespective of its comparable track record to meet its obligations to other hotels under other lease agreements) that may have better experience or are in a better position in leasing and operating the Hotels and meet their obligations under the lease agreements. There is therefore no compelling reason not to proceed with the Lease and Guarantee Extension, and subjecting Regal REIT to the uncertainties associated with such a change.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Further, the Lease and Guarantee Extension and the HMA Extension will facilitate Regal REIT's business continuity by maintaining the current lease structure and relationship with the Hotel Manager. The Manager believes, and we concur, that such structure will contribute to the stability of lease income for Regal REIT and in turn stable distribution from Regal REIT to the Unitholders. On the basis of satisfactory performance of the Lessee, we are of the view that Regal REIT's uninterrupted ongoing business relationship with the Lessee and business continuity are important to Regal REIT, the Independent Unitholders and the Unitholders as a whole, as well as 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.

4.2 Maintain current hotel management fees

As described in the section headed "2.3 Extension of the Hotel Management Agreements" of the "Letter to the Unitholders", the Hotel Management Fee is currently being charged at 1% of the Gross Revenue plus 1% of the excess of the Adjusted GOP over (a) the hotel management base fee and (b) the fixed charge. We also noted that if the Lease and Guarantee Extension is not approved by the 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, and the term will change to 2% of the Gross Revenue plus 5% of the excess of the Adjusted GOP over (a) the hotel management base fee and (b) the fixed charge.

The HMA Comparables charge base management fee in the range of 0.25% to 2.5% of the hotel's revenue and incentive management fee in the range of 1% to 8% of the hotel's adjusted gross operating profit for assets in Hong Kong. The Hotel Management Fee compares favourably to the HMA Comparables. If the Extended Lease Agreement is no longer in subsistence, the aforesaid term of 1% plus 1% will increase to 2% plus 5% which, while still reasonable when compared to the HMA Comparables, is less beneficial compared to the status quo. We concur with the Manager's view that entering into the Supplemental Lease Agreements can avoid the possible increase in fees during the Extended Lease Period.

4.3 Potential conflicts of interest between an incoming lessee and the existing hotel manager

The Hotel Manager and the Lessee are affiliated. We noted that there is currently no subsisting event of default under the Hotel Management Agreements that would entitle Regal REIT to terminate such Hotel Management Agreement. Expiry of the Lease Agreements does not constitute an event of default that allows Regal REIT to terminate the Hotel Management Agreements. While Regal REIT may terminate the Hotel Management Agreements if the relevant Lease Agreement is terminated due to a breach by the Lessee, no such breach by the Lessee has taken place to date.

Accordingly, any incoming lessee cannot replace the existing Hotel Manager on its own accord, and if the incoming lessee has no affiliation with the Hotel Manager, their interests may not be aligned. For example, the incoming lessee and the Hotel Manager may have different economic interests and goals and there may also be conflicts between their policies or objectives adopted. Such conflicts may affect the smooth operation of the Hotels and could have a material adverse impact on the financial performance of Regal REIT.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are of the view that from the perspective of the Owner, it is important to align the interests and preserve the mutual trusts between the lessee and the hotel manager of the Hotels. The entering into of the Supplemental Lease Agreements can avoid potential conflicts of interest between them, which is in the best interests of Regal REIT and the Independent Unitholders.

4.4 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 any similar termination rights. This mitigates any risks to Regal REIT associated with the period of extension.

According to the Independent Hotel Expert, the lease agreements and hotel management agreements are normally signed/extended for a relatively long duration. In the current case, the relevant Lease Agreements are proposed to be extended for ten (10) years in respect of the Hotels and the Hotel Management Agreements are proposed to be extended for an operating term of another ten (10) years. In the event that the Lessors/Owner finds it commercially or otherwise more favourable or practicable to terminate the Extended Lease Agreements and/or the Extended Hotel Management Agreement, the additional non-fault based early termination provision will entitle the relevant Lessors/Owner to do so anytime during the new term of the Extended Lease Agreements and the Extended Hotel Management Agreements.

We are of the view that Regal REIT having this unilateral right augments the reason to enter into the relevant Extended Lease Agreements and the Extended Hotel Management Agreements until such time if and when there are reasons to do so.

4.5 Best available deal for Regal REIT

We concur with the Manager that given the prevailing structure of Regal REIT's business operations, the prospect of receiving any reasonable proposal for a structure similar to that which is prevailing from other parties is unlikely since the hospitality market is still in the early stage of recovery. We also concur that as there has been no compelling reason not to extend the Extended Lease Agreements and Extended Hotel Management Agreements, it is unduly burdensome and not commercially practical for Regal REIT to spend the time, financial and administrative resources to seek alternative deals from other potential lessees.

In the event of a new lease, any new lessee is likely to require a certain amount of time to adapt to the existing business operations of the Hotels and cooperation arrangements with the Hotel Manager. Barring unsatisfactory performance by the Lessee of its obligations, it is reasonable for the Manager to maintain the existing structure of Regal REIT and thereby maintain the smooth hotel operations managed by the Hotel Manager, so as to minimise unnecessary disruptions to the operations of Regal REIT.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above and aforementioned considerations on track record continuity and hotel management fees, we concur with the Manager that the Supplemental Lease Agreements are the best available deal under the circumstances since the economic interests of both Lessee and Hotel Manager (both being wholly-owned subsidiaries of Regal Hotels) are aligned and they can work together for the benefit of Regal REIT.

Having considered the above and that it is reasonable for the Manager to keep the existing structure of the Hotels and to maintain the consistency of hotel management standards of the “iclub” brand, we concur with the Manager that, on balance, it is more commercially practical for Regal REIT to maintain only one hotel manager across all of its properties and the Supplemental Hotel Management Agreements are the best available deal.

4.6 Section summary

Based on the above discussions, we are of the view that the Lease and Guarantee Extension and the HMA Extension is (i) the best available deal for Regal REIT; (ii) entered into in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm’s length; (iii) fair and reasonable and in the best interests of Independent Unitholders and Regal REIT as a whole, notwithstanding that there has not been proposals by alternative parties and the Manager had not sought nor considered any other specific deals; and (iv) consistent with Regal REIT’s investment policy and in compliance with the REIT Code and the Trust Deed.

5. Independent Hotel Expert

Colliers International (Hong Kong) Limited has been engaged by the Manager as the Independent Hotel Expert to opine on whether the Lease and Guarantee Extension and the HMA Extension 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. In formulating our advice, reference was made to the opinion of the Independent Hotel Expert on whether the Lease and Guarantee Extension and the HMA Extension are on normal commercial terms and consistent with normal business practices for contracts of the relevant type entered into by other comparable trusts.

Based on our discussions with the Independent Hotel Expert, we noted that the Independent Hotel Expert has declared its independence from Regal REIT, its respective subsidiaries, the Manager, the Trustee and the respective directors of the Trustee, Regal Hotels and its subsidiaries and their respective associates; and has no direct or indirect material interests in the securities or assets of Regal REIT, the Trustee, the Manager, any of their respective connected persons, or any of their associates, pursuant to Rule 3A.07 of the Listing Rules.

According to the Independent Hotel Expert, it has, in the process of arriving at its opinion, assessed and made reference to, including but not limited to, the Lease Agreements, Lease Guarantees, Hotel Management Agreements, Supplemental Lease Agreements, Supplemental Lease Guarantees, Supplemental Hotel Management Agreements and the Independent Hotel Expert’s independent research on Hong Kong’s hotel market and forecasts. The Independent Hotel Expert, having considered the terms of the aforementioned documents, considered that the Lease and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Guarantee Extension and the HMA Extension will not have any adverse impact on the Regal REIT's source of revenue and are on normal commercial terms and consistent with normal business practices for contracts of the relevant type entered into by other comparable hospitality REITs or business trusts, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager.

5.1 Lease Comparables

Based on the characteristics and attributes of Regal REIT, the Independent Hotel Expert has conducted a search of entities with comparable lease arrangements in Hong Kong (the "**Lease Comparables**") for the purpose of analysing whether the Lease and Guarantee Extension is: (i) the best available deal for Regal REIT; (ii) entered into in the ordinary and usual course of business of Regal REIT on terms which are normal commercial terms and at arm's length and consistent with market practices; (iii) fair and reasonable and in the best interests of the Independent Unitholders and Regal REIT as a whole; and (iv) consistent with Regal REIT's investment policy and in compliance with the REIT Code and the Trust Deed.

The Lease Comparables were selected based on the criteria of (i) their hospitality properties being similarly located in Hong Kong and China as with the Hotels; and (ii) having similar holding structure (and hence subject to similar regulatory and tax limitations etc.) as Regal REIT. The Independent Hotel Expert noted that public information relating to lease agreements is limited and is generally available only from publicly listed entities. Based on the criteria above and availability of information, the Independent Hotel Expert has identified a comparable hospitality REIT, two comparable hospitality groups and the Regal REIT's portfolio, all of which are listed on the Stock Exchange. The Independent Hotel Expert has opined, and we concur, that the Lease Comparables identified represent an exhaustive list for a fair and reasonable assessment.

Based on the Lease Comparables identified above and our analysis in the section "2. Lease and Guarantee Extension", we are of the view that the existing terms of the Lease Agreements of Regal REIT, which will also be applicable during the Extended Lease Period, are either in line with market practice or are at more favourable terms than those of the Lease Comparables.

5.2 HMA Comparables

Based on the characteristics and attributes of Regal REIT, the Independent Hotel Expert has conducted a search of entities with management arrangements of similar nature and are comparable (the "**HMA Comparables**") for the purpose of analysing whether the HMA Extension is: (i) the best available deal for Regal REIT; (ii) entered into in the ordinary and usual course of business of Regal REIT on terms which are normal commercial terms and at arm's length and consistent with market practices; (iii) fair and reasonable and in the best interests of the Independent Unitholders and Regal REIT as a whole; and (iv) consistent with Regal REIT's investment policy and in compliance with the REIT Code and the Trust Deed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The HMA Comparables were selected based on the criteria of (i) the properties being managed involve hospitality elements; and (ii) the nature and structure of the agreements being similar to the Hotel Management Agreements. The Independent Hotel Expert noted that public information relating to hotel management agreements is limited and is generally available only from publicly listed entities. Based on the criteria above and availability of information, the Independent Hotel Expert has identified four hospitality groups/investment companies and the Regal REIT's portfolio, all of which are listed on the Stock Exchange which management arrangements can be used for comparison. The Independent Hotel Expert has opined, and we concur, that the HMA Comparables identified represent an exhaustive list for a fair and reasonable assessment.

Based on the HMA Comparables identified above and our analysis in the section headed "3. Extension of the Hotel Management Agreements", we are of the view that the existing terms of the Hotel Management Agreements of Regal REIT, which will also be applicable during the HMA Extension, are either in line with market practice or are at more favourable terms than those of the HMA Comparables.

Based on our interview with the Independent Hotel Expert, we understand that Colliers International (Hong Kong) Limited is a real estate consultant with over 20 years of experience in hotel capital valuations, management agreement and rental advisory, feasibility studies, asset management and transaction advisory services, and a track record of projects across Asia Pacific including Hong Kong, dealing with institutional investors, private equity firms, and high net worth individuals specifically on hospitality investments and assets of REIT and non-REIT nature. We are of the view that, given such background, the Independent Hotel Expert is in a position to give a professional view on whether the Lease and Guarantee Extension and the HMA Extension 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. We are also of the view that the Independent Hotel Expert has sufficient experience to perform the assessment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Historical transaction amounts and the proposed annual caps

6.1 Supplemental Lease Agreements

6.1.1 Historical transaction amounts

Under the 2013 CCT Waiver currently in effect until 31 December 2024, the transactions contemplated under the Lease Agreements and Lease Guarantees are not subject to any annual caps. Accordingly, there are no annual caps prior to the Extended Lease Period. Below is a table (**Table 1**) of 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:

	For the year ended 31 December				
	2014 (HK\$'000)	2015 (HK\$'000)	2016 (HK\$'000)	2017 (HK\$'000)	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
Total	105,563	166,778	174,933	117,580	90,577

	For the year ended 31 December				For the six months ended
	2019 (HK\$'000)	2020 (HK\$'000)	2021 (HK\$'000)	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
Total	92,000	82,000	52,000	64,757	31,000

Notes:

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

6.1.2 Proposed annual caps for the Supplemental Lease Agreements

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 proposed a single annual cap for the Extended Lease Agreements and Extended Lease Guarantees. The proposed annual caps for the year ending 31 December 2025 is determined by reference to the highest annual transaction amount for the Lease Agreements since they were entered into. For subsequent years, a growth factor of approximately 10.4% 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.

Below is a table (**Table 2**) of the proposed annual caps for the Extended Lease Agreements and the Extended Lease Guarantees during the Extended Period:

	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
Total	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
Total	286,891	316,727	349,668	386,033	426,180

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

When analysing the fairness and reasonableness of the proposed annual caps of the Extended Lease Agreements and the Extended Lease Guarantees, we have conducted the following work:

- (i) reviewed the financial performance of the relevant Hotels commencing from the effective date of the relevant agreements to 31 December 2022 and the six months ended 30 June 2023; and
- (ii) discussed with the Manager and noted that the exceptionally low transaction amount under the agreements for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 were due to the substantial deterioration of the financial performance of the Hotels as a result of the substantial drop in occupancy rate and ADR arisen from the travel restriction caused by Covid-19 pandemic.

To assess the fairness and reasonableness of the proposed new annual caps of the Extended Lease Agreements and the Extended Lease Guarantees, we noted the calculation below:

- (i) firstly, the proposed annual cap for the year ending 31 December 2024 has been determined by reference to the highest annual transaction amount under the Lease Agreements since they were entered into; and
- (ii) thereafter for subsequent nine years, a growth factor of approximately 10.4% per annum is applied to determine the proposed annual caps for those years.

When considering (i) above, we noted that the tourism industry in Hong Kong had been marred by various events in recent years; first the social unrests in 2019 and then the travel restrictions caused by Covid-19 pandemic between 2020 and 2022. Occupancy rates and ADRs plunged during these periods, hence operating results during these periods will not be representative of the current situation. Using the historical highest figure in year 2016 reflects the Manager's expectation that Hong Kong tourism industry is undergoing normalisation, factoring into the economic growth and inflation.

When considering the reasonableness of the 10.4% per annum growth rate under (ii), we noted that:

- (a) prior to the disruptions between 2019 and 2022, underpinned by the Hotels' new branding in 2014, the Hotels were gradually gaining recognition with improvements in both ADRs and occupancy rates. Based on our discussions with the Manager and the Independent Hotel Expert, as the hotel industry in Hong Kong strives to recover from the disruptions, a strong rebound in performance surpassing historical levels is anticipated. Now with more established operating records, the Hotels' brand recognition and market presence will likely strengthen. In terms of overall industry efforts, the Hong Kong Tourism Board ("HKTB"), with the support of the Hong Kong Government, has been organising and will continue to take the lead to roll out series of events to promote Hong Kong globally as a leading international city in Asia and a world-class tourist destination;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) occupancy rates and ADRs of the Hotels since early February 2023 (following Hong Kong's full resumption of normal travel with the Mainland and the rest of the world) have continued to improve;
- (c) according to the Independent Hotel Expert, due to the unique dynamics of the hotel industry and its growth factors, the benchmark year of 2018 is commonly used by HKTB and the industry as a whole, given the significant impact of the disruptions from 2019 to 2022. ADR, which is a key metric in the hotel industry that reflects specific pricing dynamics within the sector, is incorporated to calculate the historical percentage shift. In this respect, ADRs of both Hotels in 2018 experienced a growth of approximately 10% which closely resembled the ADR of Tariff B Hotels in 2018 based on data published by HKTB; and
- (d) inflation is being felt globally where the International Monetary Fund projected global inflation to be 6.8% in 2023 and 5.2% in 2024. This inflationary environment may result in higher ADRs for the Hotels.

Based on the above, we are of the view that applying the historical percentage change in ADR of Tariff B Hotels in 2018 of 10.4% as the projected growth rate of the proposed annual caps for subsequent years 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 general pricing patterns observed across Hong Kong which are of similar grade and which target similar customer groups as the Hotels; and (v) brand recognition and market presence of the Hotels has been increasing over the years.

Overall, we consider that by applying the annual transaction amount in 2016 as a base for the annual cap for the year ending 31 December 2024 and to project the annual cap for each subsequent 9 years ending 31 December 2034 under the Extended Lease Agreements based on annual growth rate of 10.4%, is appropriate. Accordingly, we are of the view that the proposed annual caps for the years ending 31 December 2034 under the Extended Lease Agreements and the Extended Lease Guarantees are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6.2 Hotel Management Agreements

6.2.1 Historical transaction amounts

Under the 2013 CCT Waiver currently in effect until 31 December 2024, the transactions contemplated under the HMA Agreements are not subject to any annual caps. Accordingly, there are no annual caps prior to the Extended HMA Period. Below is a table (**Table 3**) of the 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:

	For the year ended 31 December				
	2014 <i>(HK\$'000)</i>	2015 <i>(HK\$'000)</i>	2016 <i>(HK\$'000)</i>	2017 <i>(HK\$'000)</i>	2018 <i>(HK\$'000)</i>
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
Total	1,852	4,582	4,832	5,630	6,272
					For the six months ended
					30 June
					2023
					<i>(HK\$'000)</i>
	For the year ended 31 December				
	2019 <i>(HK\$'000)</i>	2020 <i>(HK\$'000)</i>	2021 <i>(HK\$'000)</i>	2022 <i>(HK\$'000)</i>	2023 <i>(HK\$'000)</i>
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
Total	4,471	2,428	2,518	4,225	1,925

Notes:

- 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.*
- 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.*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6.2.2 Proposed annual caps for the Hotel Management Agreements

The proposed annual cap for the year ending 31 December 2024 is determined by reference to (i) the highest annual transaction amount under the Hotel Management Agreements since they were entered into, being the year ended 31 December 2018 and (ii) an additional amount of HK\$1.5 million for each Hotel as significant expenses in the form of marketing campaigns and promotional activities that may be deployed to boost the business of the Hotels or specific customer segment. For subsequent years, a growth factor of approximately 10.4% per annum is applied to determine the proposed annual caps for those years.

Below is a table (**Table 4**) of the proposed annual caps for the Extended Hotel Management Agreements during the Extended Period:

	For the year ending					
	31 December 2024	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>	<i>(HK\$'000)</i>
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
Total	9,272	10,236	11,301	12,475	13,773	15,206

	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 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
Total	16,787	18,533	20,460	22,588	24,938

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

When analysing the fairness and reasonableness of the proposed new annual caps of the Extended Hotel Management Agreements, we have conducted the following work:

- (i) reviewed the financial performance of the relevant Hotels commencing from the effective date of the relevant agreements (i.e. 10 February 2014 for iclub Sheung Wan Hotel and 28 July 2014 for iclub Fortress Hill Hotel) to 31 December 2022 and the six months ended 30 June 2023;
- (ii) discussed with the Manager and noted that the exceptionally low transaction amount under the agreements for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 were due to the substantial deterioration of the financial performance of the Hotels as a result of the substantial drop in occupancy rate and ADR arisen from the travel restriction caused by Covid-19 pandemic; and
- (iii) discussed with the Manager to understand the composition of the additional budget of HK\$1.5 million for marketing, and the intended marketing campaign and promotional activities. We then compared the scale, costs or quotations from similar marketing campaign and promotional activities carried out by the Hotel Manager in the past.

We noted that the hotel management fee, marketing fee and marketing expenses are generally correlated to revenue and, hence ADR of the Hotels. Hotel management fee comprises base fee and incentive fee which are calculated with reference to Gross Revenue and Adjusted GOP. Meanwhile, the amount of marketing effort (reflected in the amount of marketing fee and reimbursable marketing expenses) typically aligns with revenue-boosting efforts. On this basis, the ADR growth rate is an appropriate indicator for calculating the proposed annual caps for the extended hotel management agreements. To assess the fairness and reasonableness of the proposed new annual caps of the Extended Hotel Management Agreements, we noted the calculation below:

- (i) firstly, the proposed annual cap for the year ending 31 December 2024 has been determined by reference to the highest annual transaction amount under the Hotel Management Agreements for the period commencing from the effective date of the relevant agreements (i.e. 10 February 2014 for iclub Sheung Wan Hotel and 28 July 2014 for iclub Fortress Hill Hotel) to 31 December 2018;
- (ii) secondly, an additional amount of HK\$1.5 million of each Hotel for the year ending 31 December 2024 as significant expenses in the form of marketing campaigns and promotional activities that may be deployed to boost the business of the Hotels or specific customer segment is then added; and
- (iii) thereafter for subsequent nine years, a growth factor of approximately 10.4% per annum is applied to determine the proposed annual caps for those years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

When considering (i) above, we noted that the tourism industry in Hong Kong had been marred by various events in recent years; first the social unrests in 2019 and then the travel restrictions caused by Covid-19 pandemic between 2020 and 2022. Occupancy rate and ADR plunged during these period and operating results during these periods will not be representative of the current situation. Using the historical highest figure in year 2018 reflects the expectation that Hong Kong tourism industry is undergoing normalisation, factoring into the economic growth and inflation. Meanwhile, it eliminates the anomalous years between 2019 and 2022.

When considering (ii) above, we noted that, for example, during each year from 2015 to 2019, each of the Hotel had incurred relevant marketing fee and marketing expenses of over HK\$1.3 million, and in the year 2018, the Hotels recorded their highest level of annual marketing fee and marketing expenses of HK\$1.9 million and HK\$1.7 million respectively. With the enhanced marketing campaigns being planned for to capture the tourism recovery and echoing Hong Kong government's tourism and meetings, incentives, conferences and exhibitions (MICE) promotional efforts, it is reasonable to estimate such additional level of spending.

When considering the reasonableness of the 10.4% per annum growth rate under (iii), please refer to the factors discussed in the section headed "6.1.2 Proposed annual caps for the Supplemental Lease Agreements" above.

Overall, we consider that by applying the annual transaction amount in 2018 as a base for the annual cap for the year ending 31 December 2024 and adding an amount of HK\$1.5 million as additional marketing expenses, and to project the annual cap for each subsequent nine years ending 31 December 2034 under the Extended Hotel Management Agreements based on annual growth rate of 10.4%, is appropriate. Accordingly, we are of the view that the proposed annual caps for the years ending 31 December 2034 under the Extended Hotel Management Agreements are fair and reasonable.

RECOMMENDATIONS

Having considered the above principal factors, we are of the view that:

- (i) the Lease and Guarantee Extension and the Extended Lease Agreements, collectively, are (i) the best available deal for Regal REIT; (ii) entered into in the ordinary and usual course of business of Regal REIT, on normal commercial terms and at arm's length; (iii) fair and reasonable and in the best interests of Regal REIT, the Independent Unitholders, as well as the Unitholders as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager; and (iv) consistent with Regal REIT's investment policy and in compliance with the REIT Code and the Trust Deed;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the Extended Lease Guarantees, are (i) the best available deal for Regal REIT; (ii) entered into in the ordinary and usual course of business of Regal REIT, on normal commercial terms and at arm's length; (iii) fair and reasonable and in the best interests of Regal REIT, the Independent Unitholders, as well as the Unitholders as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager; and (iv) consistent with Regal REIT's investment policy and in compliance with the REIT Code and the Trust Deed;

- (iii) the HMA Extension and the Extended Hotel Management Agreements, collectively, are (i) the best available deal for Regal REIT; (ii) entered into in the ordinary and usual course of business of Regal REIT, on normal commercial terms and at arm's length; (iii) fair and reasonable and in the best interests of Regal REIT, the Independent Unitholders, as well as the Unitholders as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager; and (iv) consistent with Regal REIT's investment policy and in compliance with the REIT Code and the Trust Deed;

- (iv) the proposed annual caps under the Extended Lease Agreements and the Extended Lease Guarantees, and the basis for determining such annual caps, are fair and reasonable having regard to the interests of Regal REIT, the Independent Unitholders, as well as the Unitholders as a whole; and

- (v) the proposed annual caps for the HMA Extension, and the basis for determining such annual caps, are fair and reasonable having regard to the interests of Regal REIT, the Independent Unitholders, as well as the Unitholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Unitholders to vote in favour of the relevant Ordinary Resolutions to be proposed at the EGM to approve the Lease and Guarantee Extension, the HMA Extension, the transactions contemplated thereunder and the relevant annual caps applicable thereto.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

Chang Sean Pey
Responsible Officer

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Mr. Chang Sean Pey (“**Mr. Chang**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Manager and the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the REIT Code and the Listing Rules for the purpose of giving information with regard to Regal REIT. The Manager and the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DISCLOSURE OF INTERESTS IN UNITS

The REIT Code requires connected persons of Regal REIT to disclose their interests in the Units. In addition, the provisions of Part XV of the SFO are deemed by the Trust Deed to apply to the Manager, the directors or the chief executives of the Manager, and to persons interested in the Units.

(a) *Holdings of Substantial Unitholders*

As at the Latest Practicable Date, the interests of the Substantial Unitholders (not being a director or chief executive of the Manager) in Units, as recorded in the register (the “**Register**”) required to be kept under the Trust Deed, were as follows:

Name of Substantial Unitholders	As at the Latest Practicable Date	
	Total number of issued Units held	Approximate % of issued Units as at the Latest Practicable Date ⁽¹⁰⁾
Century City	2,443,033,102 ⁽¹⁾	74.99%
Century City BVI Holdings Limited (“CCBVI”)	2,443,033,102 ^(1 and 2)	74.99%
Paliburg	2,440,346,102 ^(3 and 4)	74.92%
Paliburg Development BVI Holdings Limited (“PDBVI”)	2,440,346,102 ^(3 and 5)	74.92%
Regal Hotels	2,439,613,739 ^(6 and 7)	74.89%
Regal International (BVI) Holdings Limited (“RBVI”)	2,439,613,739 ^(6 and 8)	74.89%
Complete Success Investments Limited	1,817,012,072 ⁽⁹⁾	55.78%
Great Prestige Investments Limited	373,134,326 ⁽⁹⁾	11.45%

Notes:

- (1) The interests in 2,443,033,102 Units held by each of Century City and CCBVI were the same parcel of Units, which were directly held by RBVI and wholly-owned subsidiaries of CCBVI, PDBVI and RBVI, respectively.
- (2) CCBVI is a wholly-owned subsidiary of Century City and its interests in Units are deemed to be the same interests held by Century City.
- (3) The interests in 2,440,346,102 Units held by each of Paliburg and PDBVI were the same parcel of Units, which were directly held by RBVI and wholly-owned subsidiaries of PDBVI and RBVI, respectively.
- (4) Paliburg is a listed subsidiary of CCBVI, which held an approximately 62.28% shareholding interest in Paliburg as at the Latest Practicable Date, and its interests in Units are deemed to be the same interests held by CCBVI.
- (5) PDBVI is a wholly-owned subsidiary of Paliburg and its interests in Units are deemed to be the same interests held by Paliburg.
- (6) The interests in 2,439,613,739 Units held by each of Regal Hotels and RBVI were the same parcel of Units, which were directly held by RBVI and its wholly-owned subsidiaries, respectively.
- (7) Regal Hotels is a listed subsidiary of PDBVI, which held an approximately 69.25% shareholding interest in Regal Hotels as at the Latest Practicable Date, and its interests in Units are deemed to be the same interests held by PDBVI.
- (8) RBVI is a wholly-owned subsidiary of Regal Hotels and its interests in Units are deemed to be the same interests held by Regal Hotels.
- (9) These companies are wholly-owned subsidiaries of RBVI and their respective direct interests in Units are deemed to be the same interests held by RBVI.
- (10) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at the Latest Practicable Date.

Save as disclosed herein, there were no other persons who, as at the Latest Practicable Date, had interests in Units which are required to be recorded in the Register.

(b) Holdings of the Manager, Directors and Chief Executives of the Manager

As at the Latest Practicable Date, the interests of the Manager, directors and chief executives of the Manager in Units, as recorded in the Register, were as follows:

Name of Director of the Manager	As at the Latest Practicable Date	
	Total number of issued Units held	Approximate % of the issued Units as at the Latest Practicable Date ⁽²⁾
Lo Yuk Sui	2,443,033,102 ⁽¹⁾	74.99%

Notes:

- (1) The interests in 2,443,033,102 Units were the same parcel of Units held through Century City in which Mr. Lo Yuk Sui held approximately 67.43% shareholding interest as at the Latest Practicable Date.
- (2) The approximate percentages were calculated based on 3,257,431,189 Units in issue as at the Latest Practicable Date.

Save as disclosed in the above, at the Latest Practicable Date, none of the Manager, the Directors or chief executive of the Manager had or deemed to have any interest or short positions in Units, underlying Units and any debentures of Regal REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Manager and the Stock Exchange under Schedule 3 of the Trust Deed (including interests and short positions in which he was deemed or taken to have pursuant to Schedule 3 of the Trust Deed), or which were required to be entered in the register maintained by the Manager under Schedule 3 of the Trust Deed, or which were required, pursuant to the code governing dealings in securities of Regal REIT adopted by the Directors and the Manager, the terms of which are no less exacting than the required standards set out in the Model Code (as if it were applicable to Regal REIT), to be notified to the Manager and the Stock Exchange.

Save for the interests of the Substantial Unitholders and the Director of the Manager (also being the connected persons of Regal REIT) in Units as disclosed herein, the Manager is not aware of any other connected persons of Regal REIT holding any Units.

3. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING BUSINESS

Save as disclosed in this Circular, as at the Latest Practicable Date:

- (a) none of the Directors or proposed Directors had any direct or indirect interest in any assets which had since 31 December 2022, being the date to which the latest published audited financial statements of Regal REIT were made up, been acquired or disposed of by (or leased to) or are proposed to be acquired or disposed of by or leased to Regal REIT;
- (b) none of the Directors or proposed Directors was materially interested in any subsisting contract or arrangement which was significant in relation to the business of Regal REIT; and
- (c) none of the Directors or proposed Directors or any of their close associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of Regal REIT, or had or may have had any other conflicts of interest with Regal REIT pursuant to Rule 8.10 of the Listing Rules.

4. DIRECTORSHIP OR EMPLOYMENT WITH SUBSTANTIAL UNITHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Manager, the following Directors were the directors or employees of a company which had an interest or short position in the Units, where the underlying Units would fall to be disclosed to the Manager and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. LO Yuk Sui, Miss LO Po Man, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai are directors of Century City.
- (b) Mr. LO Yuk Sui, Miss LO Po Man, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai are directors of CCBVI (being a wholly-owned subsidiary of Century City).
- (c) Mr. LO Yuk Sui, Miss LO Po Man, Mr. Jimmy LO Chun To, Mr. Kenneth NG Kwai Kai, Mr. Bowen Joseph LEUNG Po Wing, GBS, JP and Mr. Abraham SHEK Lai Him, GBS, JP are directors of Paliburg.
- (d) Mr. LO Yuk Sui, Miss LO Po Man, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai are directors of PDBVI (being a wholly-owned subsidiary of Paliburg).
- (e) Mr. LO Yuk Sui, Miss LO Po Man, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai are directors of Regal Hotels.
- (f) Mr. LO Yuk Sui, Miss LO Po Man, Mr. Jimmy LO Chun To and Mr. Kenneth NG Kwai Kai are directors of each of the following wholly-owned subsidiaries of Regal Hotels: (i) RBVI, (ii) Complete Success Investments Limited, and (iii) Great Prestige Investments Limited.

5. EXPERTS AND CONSENTS

Each of the Independent Financial Adviser and the Independent Hotel Expert has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of the references to its name and its opinion and recommendation in the form and context in which they appear.

The following are the qualifications of the experts who have been named in this Circular or have given opinion or advice which are contained in this Circular.

Name	Qualification
Altus Capital Limited	A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Colliers International (Hong Kong) Limited	A real estate consultant having over 20 years of experience in hotel capital valuations, management agreement and rental advisory, feasibility studies, asset management and transaction advisory services, and a track record of projects across Asia Pacific including Hong Kong, dealing with institutional investors, private equity firms, and high net worth individuals specifically on hospitality investments and assets of REIT and non-REIT nature

As at the Latest Practicable Date, none of the experts had any interest in Regal REIT or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in Regal REIT.

As at the Latest Practicable Date, none of the experts had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of Regal REIT were prepared (being 31 December 2022), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to Regal REIT.

6. STATEMENT IN RELATION TO FINANCIAL POSITION

The Manager confirms that, as at the Latest Practicable Date, there had not been any material adverse change in the financial or trading position of Regal REIT since the date that the latest published audited accounts of Regal REIT were prepared.

7. 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.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and Regal REIT (www.regalreit.com), from the date of this Circular, up to and including the date of the EGM for at least 14 days:

- (a) the Lease Agreements and Supplemental Lease Agreements;
- (b) the Lease Guarantees and Supplemental Lease Guarantees;
- (c) the Hotel Management Agreements and Supplemental Hotel Management Agreements;
- (d) the Letter from the Independent Board Committee;
- (e) the Letter from the Independent Financial Adviser;
- (f) the Independent Hotel Expert's memorandum;
- (g) the written consents referred to in the section headed "5. Experts and Consents" of this Appendix I; and
- (h) the draft of the Second Amending and Restating Trust Deed.

A copy of the Trust Deed will also be available for inspection at the registered office of the Manager for so long as Regal REIT continues to be in existence.

9. MISCELLANEOUS

The English text of this Circular shall prevail over its Chinese text.

The Manager proposes to seek Unitholders' approval to make the Trust Deed Amendments of which the full text or extract of the relevant clauses are reproduced in this Appendix II with the proposed insertions and deletions indicated by, respectively, the underlined text and the strike-through text below. All capitalised terms in the proposed Trust Deed Amendments contained in this Appendix II are terms defined in the Trust Deed and have the corresponding meanings ascribed to them in the Trust Deed.

1. A new definition of "electronic communication" under **Clause 1.1** of the Trust Deed be inserted in alphabetical order as follows:

“**electronic communication**” shall mean a communication (i) sent initially and received at its destination by means of electronic facilities for the processing (which includes digital compression and encryption, if any) or storage of data and (ii) sent, transmitted, conveyed and received by email, by facimile, by wire, by radio, by optical means or by other similar unsecured means in any form through any medium;”

2. A new definition of "electronic facilities" under **Clause 1.1** of the Trust Deed be inserted in alphabetical order as follows:

“**electronic facilities**” include, without limitation, website addresses, webinars, webcast, video or any form of conference call systems (telephone, video, web or otherwise);”

3. A new definition of "hybrid meeting" under **Clause 1.1** of the Trust Deed be inserted in alphabetical order as follows:

“**hybrid meeting**” shall mean a general meeting convened for the (i) physical attendance by Holders and/or proxies at one or more Meeting Locations; and (ii) virtual attendance and participation by Holders and/or proxies by means of electronic facilities;”

4. A new definition of "Meeting Location(s)" under **Clause 1.1** of the Trust Deed be inserted in alphabetical order as follows:

“**Meeting Location(s)**” has the meaning given to it in paragraph 1.4 of Schedule 1;”

5. A new definition of "physical meeting" under **Clause 1.1** of the Trust Deed be inserted in alphabetical order as follows:

“**physical meeting**” shall mean a general meeting held and conducted by physical attendance and participation by Holders and/or proxies at one or more Meeting Locations;”

6. A new definition of "Principal Meeting Place" under **Clause 1.1** of the Trust Deed be inserted in alphabetical order as follows:

“**Principal Meeting Place**” has the meaning given to it in paragraph 1.4 of Schedule 1;”

7. A new definition of “virtual meeting” under **Clause 1.1** of the Trust Deed be inserted in alphabetical order as follows:

““virtual meeting” means a general meeting held and conducted wholly and exclusively by virtual attendance and participation by Holders and/or proxies by means of electronic facilities; and”

8. A new **clause 1.7.6** be inserted immediately after Clause 1.7.5 of the Trust Deed as follows:

“1.7.6 a reference to a meeting: (a) shall mean a meeting convened and held in any manner permitted by this Deed and any Holder attending and participating at a meeting by means of electronic facilities shall be deemed to be present at that meeting for all purposes of the applicable laws and regulations and this Deed, and attend, participate, attending, participating, attendance and participation shall be construed accordingly, and (b) shall, where the context is appropriate, include a meeting that has been postponed by the REIT Manager pursuant to paragraph 4.3 of Schedule 1.”

9. **Clause 13.1** of the Trust Deed be amended as follows:

“13.1 REIT Manager’s Right to Determine how Voting Rights are Exercised

Except as otherwise expressly provided and subject to Clause 10.5 relating to Special Purpose Vehicles and Joint Venture Entities owned by the Trustee, all rights of voting conferred by any of the Deposited Property shall be exercised in such manner as the REIT Manager may in writing direct and the REIT Manager may refrain at its own discretion from the exercise of any voting rights and no Holder shall have any right to interfere or complain. The Trustee shall, upon written request by and at the expense of the REIT Manager from time to time, execute and deliver or cause to be executed or delivered to the REIT Manager or its nominees such powers of attorney or proxies as the REIT Manager may reasonably require, in such name or names as the REIT Manager may request, authorising such attorneys and proxies to vote, consent or otherwise act in respect of all or any part of the Deposited Property. The REIT Manager shall exercise the said rights in what it may consider to be the best interests of the Holders, but (in the absence of its own fraud, negligence, wilful default, breach of this Deed, or breach of any of the other Constitutive Documents to which it is a party, the Code or applicable laws and regulations) neither the REIT Manager nor the Trustee shall be under any liability or responsibility in respect of any vote, action or consent given or taken or not given or not taken by the REIT Manager whether in person or by proxy, and neither the Trustee nor the REIT Manager nor the holder of any such proxy or power of attorney shall incur any liability or responsibility by reason of any error of judgement or mistake of fact or any matter or thing done or omitted or approval voted or given or withheld by the Trustee or REIT Manager or by the holder of such proxy or power of attorney under this Deed; and the Trustee shall be under no obligation to anyone and shall not incur any liability with respect to any action taken or caused to be taken or omitted by the REIT Manager or its nominees or by any such proxy or attorney. The REIT Manager shall in respect of its having

exercised or not having exercised any such right of voting, action or consent keep a written record (including by electronic ~~means~~ communication or electronic facilities) of such exercise or non-exercise and shall at all reasonable times during Business Hours give the Trustee access to such record and allow the Trustee to inspect such record, provided always that (if such record is kept on magnetic tape or in accordance with some other mechanical or electrical system) the provisions of this Clause 13.1 may be satisfied by the production of legible evidence of the contents of such record.”

10. **Clause 17.3** of the Trust Deed be amended as follows:

“17.3 Trustee not Responsible for Errors of Judgement

The Trustee may act upon any advice of or information obtained from the REIT Manager or any bankers, accountants, brokers, lawyers, Approved Valuers, JV Valuers, licensed securities dealer, agents or other persons acting as agents or advisers of the Trustee or the REIT Manager, whether or not the liability of such agents, advisers or the REIT Manager is limited by a monetary cap and, in the absence of its own fraud, negligence, wilful default, breach of trust, breach of this Deed, or breach of any of the other Constitutive Documents to which it is a party, the Code or applicable laws or regulations, the Trustee shall not be liable for anything done or omitted or suffered in reliance upon such advice or information provided that the Trustee has acted in good faith and (in respect of a person appointed by the Trustee) exercised due care in the appointment thereof. The Trustee shall not be responsible for any misconduct, mistake, oversight, error of judgment, forgetfulness or want of prudence on the part of any such banker, accountant, broker, lawyer, Approved Valuer, JV Valuer, licensed securities dealer, agent or other person as aforesaid or of the REIT Manager. Any such advice or information may be obtained or sent by letter, ~~facsimile transmission, telex message or other~~ electronic means communication or other electronic facilities and the Trustee shall, in the absence of its own fraud, negligence, wilful default, breach of trust, breach of this Deed, or breach of any of the other Constitutive Documents to which it is a party, the Code or applicable laws and regulations, not be liable for acting in good faith on any advice or information purported to be conveyed by any such letter, ~~facsimile transmission, telex message or other~~ electronic means communication or other electronic facilities although the same contains some error or shall not be authentic. Without limiting the generality of the foregoing, the Trustee may in the absence of its own fraud, negligence, willful default, breach of trust, breach of this Deed, breach of any of the other Constitutive Documents to which it is a party, the Code or applicable laws and regulations conclusively rely without liability, on the truth of any statement, certificate, notice, direction, opinion, report, instruction or other communication (whether addressed to the Trustee or to the REIT Manager or to the Trust or Special Purpose Vehicle or Joint Venture Entity) reports given or provided by the REIT Manager, the accuracy of any mathematical calculations and the correctness of the information expressed therein,

upon any such communication being furnished to the Trustee, and the Trustee shall not be bound to calculate any calculations or verify any information contained therein provided that the Trustee shall exercise due powers of oversight with regard to the same.”

11. **Clause 18.2** of the Trust Deed be amended as follows:

“18.2 REIT Manager not Responsible for Errors of Judgement

The provisions of this Clause 18.2 are subject to Clause 18.1. The REIT Manager may act upon any advice of or information obtained from any bankers, accountants, brokers, lawyers, agents or other persons acting as agents or advisers of the REIT Manager and in the absence of fraud, negligence, wilful default, breach of applicable laws or regulations or breach of this Deed or other Constitutive Documents, the REIT Manager shall not be liable for anything done or omitted or suffered in reliance upon such advice or information PROVIDED THAT the REIT Manager has acted in good faith and with due care in the appointment thereof. In the absence of its own fraud, negligence, wilful default, breach of this Deed, or breach of any of the other Constitutive Documents to which it is a party, the Code or applicable laws and regulations, the REIT Manager shall not be responsible for any misconduct, mistake, oversight, error of judgement, forgetfulness or want of prudence on the part of any such banker, accountant, broker, lawyer, agent or other person as aforesaid PROVIDED FURTHER THAT the REIT Manager has acted in good faith and with due care in the appointment thereof. Any such advice or information may be obtained or sent by letter, ~~telex message, facsimile or other~~ electronic means communication or other electronic facilities and the REIT Manager shall not be liable for acting in good faith and in the absence of fraud, negligence, wilful default or breach of this Deed or other Constitutive Documents or breach of the Code or any applicable laws and regulations, on any advice or information purported to be conveyed by any such letter, ~~telex message, facsimile or other~~ electronic means communication or other electronic facilities although the same contains some error or shall not be authentic.”

12. **Clause 25.6A** of the Trust Deed be amended as follows:

“25.6 Use of Electronic ~~Means~~Facilities

25.6A.1 Any requirement in this Deed to send, mail, dispatch, issue, publish or otherwise make available any corporate communication (as hereinafter defined) by or on behalf of the Trust (including any notice to be served under Clause 25.6) may, to the extent permitted under all applicable laws and regulations, be satisfied by making available the corporate communication on the Trust’s website, or by sending or otherwise making available the corporate communication to the relevant Unitholders or holders of Convertible Instruments using other electronic ~~means~~ communication or electronic facilities (which term includes sending or otherwise making available the corporate communication to the holder in

electronic format), provided that the corporate communication is made available in accordance with the Code and any applicable provisions of the Listing Rules as if the provisions therein are applicable to real estate investment trusts.

25.6A.2 Where a corporate communication is made available to the relevant holders of Units or Convertible Instruments using electronic ~~means~~ communication or electronic facilities, the corporate communication shall be taken to be sent (and any notice given by electronic ~~means~~ communication or electronic facilities shall be deemed to have been served) on the day on which it is transmitted by or on behalf of the Trust or, if made available on the Trust's website, on the later of:

- (i) the date on which a notification is sent to the intended recipient of the presence of the corporate communication on the website;
- (ii) the date on which the corporate communication first appears on the website after that notification was sent; or
- (iii) such other time as may be prescribed by the Listing Rules as if the provisions therein are applicable to real estate investment trusts or any applicable laws or regulations.

25.6A.3 For the purposes of Clauses 25.6A.1 and 25.6A.2, "**corporate communication**" means any document issued or to be issued by or on behalf of the Trust for the information or action of the relevant holders Units or Convertible Instruments including but not limited to:

- (i) the directors' report, its Accounts together with a copy of the Auditors' report and, where applicable, its summary financial report;
- (ii) the interim report and, where applicable, its summary interim report;
- (iii) a notice of meeting;
- (iv) an Offering Circular, a circular and any equivalent document issued or proposed to be issued in connection with an application for listing;
- (v) a circular; and
- (vi) a proxy form."

13. **Clause 25.9** of the Trust Deed be amended as follows:

“25.9 Notices to Trustee and REIT Manager

Notwithstanding any provision in this Deed, any notice by the Trustee to the REIT Manager or by the REIT Manager to the Trustee shall be addressed to the REIT Manager or the Trustee (as the case may be) at its specified office and shall be delivered by hand or sent by ~~facsimile transmission, telex~~ electronic communication or prepaid post (airmail if overseas). Any such notice sent by ~~facsimile transmission~~ electronic communication shall be deemed to be served at the time of despatch (provided that such notice shall be received within Business Hours. For the avoidance of doubt, any notices received after Business Hours shall be deemed to be served at 9 a.m. (Hong Kong time) on the next Business Day) and any such notice sent by post shall, in the absence of industrial action affecting any relevant part of the postal services, be deemed to have been served three days after the letter containing the same is posted, and in proving such service it shall be sufficient to prove that such letter was properly addressed, stamped and posted.”

14. A new **clause 25.9A** to be inserted immediately after Clause 25.9 to the Trust Deed as follows:

“25.9A Electronic Communications

Each of the Trustee and the REIT Manager (the “receiver”) may rely upon and comply with instructions and directions sent by electronic communication by persons believed by it to be authorised to give instructions and directions on behalf of the other party (the “sender”). The receiver shall have no duty or obligation to verify or confirm that the person who sent such instructions or directions is, in fact, a person authorised to give instructions or directions on behalf of the sender (other than to verify that the signature on a facsimile is the signature of a person authorised to give instructions and directions on behalf of the sender) and shall have no liability for any losses, liabilities, costs or expenses incurred or sustained by the sender, the Holders, or any other person as a result of such reliance upon or compliance with such instructions or directions. The sender agrees to assume all risks arising out of the use of electronic communications to submit, deliver or give communications, instructions and directions to the receiver, including without limitation the risk of the receiver acting on unauthorised communications, instructions or directions, and the risk of interception and misuse by third parties. The sender agrees that the indemnities set out in clauses 17.6 and 18.9 shall apply in respect of any loss or liability suffered by the Trustee or the REIT Manager, respectively, as a result of acting upon communications, instructions and directions sent by electronic communication.”

15. **paragraph 1.1 of Schedule 1** to the Trust Deed be amended as follows:

“**1.1** The REIT Manager shall at least once in every calendar year, other than 2006 and 2007, convene a general meeting of the Holders as the Annual General Meeting thereof in addition to any other meetings in that year and shall specify the meeting as such in the notice calling it. The Annual General Meeting shall, as required, be held at such time and place as the REIT Manager shall appoint and not less than 20 clear Business Days’ notice in writing thereof shall be given to the Holders. All general meetings (including the Annual General Meeting, any adjourned meeting or postponed meeting) may be held as a physical meeting, hybrid meeting or virtual meeting, as may be determined by the REIT Manager in its absolute discretion. The following provisions of this Schedule 1 shall apply as well to the Annual General Meeting (where applicable) as to other meetings unless the context otherwise requires.”

16. **paragraph 1.2 of Schedule 1** to the Trust Deed be amended as follows:

“**1.2** The Trustee or the REIT Manager may respectively (and the REIT Manager shall at the request in writing of not less than two Holders registered as together holding not less than 10% of the Units for the time being in issue and outstanding) at any time convene a meeting of Holders at such time or place ~~in Hong Kong~~ (subject as hereinafter provided) as the party convening the meeting may think fit and propose resolutions for consideration at such meeting. The REIT Manager shall determine the classification of the business of such meeting as special or ordinary in accordance with the following provisions of this Schedule 1 and the Code shall apply thereto.”

17. **paragraph 1.3 of Schedule 1** to the Trust Deed be amended as follows:

“**1.3** At any meeting of Holders, the REIT Manager or a person nominated by the REIT Manager (if present) shall be the Chairman of the meeting. Any director of the REIT Manager (including without limitation, the Chairman of the meeting) attending and participating at a meeting by means of electronic facilities shall be deemed to be present at that meeting for all purposes of the REIT Code and other applicable laws, rules and regulations and this Schedule.”

18. A new **paragraph 1.4** to be inserted immediately after paragraph 1.3 of Schedule 1 to the Trust Deed as follows:

“**1.4** The REIT Manager may, at its absolute discretion, arrange for persons entitled to attend a general meeting to do so by simultaneous attendance and participation by means of electronic facilities at such location or locations (“**Meeting Location(s)**”) determined by the REIT Manager at its absolute discretion, provided that the only Meeting Location or one of the Meeting Locations shall be the principal place for the general meeting (the “**Principal Meeting Place**”).”

19. A new **paragraph 1.5** to be inserted immediately after the inserted paragraph 1.4 of Schedule 1 to the Trust Deed as follows:

“1.5 All general meetings are subject to the following and, where appropriate, all reference to “Holder” or “Holders” in this paragraph shall include a proxy or proxies respectively:-

- (a) where a Holder is attending a Meeting Location and/or in the case of a hybrid meeting, the meeting shall be treated as having commenced if it has commenced at the Principal Meeting Place;
- (b) Holders present in person or by proxy at a Meeting Location and/or Holders participating in a virtual meeting or a hybrid meeting by means of electronic facilities shall be counted in the quorum for and entitled to vote at the meeting in question, and that meeting shall be duly constituted and its proceedings valid provided that the Chairman of the meeting is satisfied that adequate electronic facilities are available throughout the meeting to ensure that Holders at all Meeting Locations and Holders participating in a virtual meeting or a hybrid meeting by means of electronic facilities are able to participate in the business for which the meeting has been convened;
- (c) where Holders attend a meeting by being present at one of the Meeting Locations and/or where Holders participating in a virtual meeting or a hybrid meeting by means of electronic facilities, a failure (for any reason) of the electronic facilities or communication equipment, or any other failure in the arrangements for enabling those in a Meeting Location other than the Principal Meeting Place to participate in the business for which the meeting has been convened or in the case of a virtual meeting or a hybrid meeting, the inability of one or more Holders or proxies to access, or continue to access, the electronic facilities despite adequate electronic facilities having been made available by the REIT Manager, shall not affect the validity of the meeting or the resolutions passed, or any business conducted thereat or any action taken pursuant to such business provided that the requisite quorum is present at the commencement of business;
- (d) if any of the Meeting Locations is outside the jurisdiction of the Principal Meeting Place and/or in the case of a hybrid meeting, unless otherwise stated in the notice, the provisions of this Deed concerning the service and giving of notice for the meeting, and the time for lodging proxies, shall apply by reference to the Principal Meeting Place; and in the case of a virtual meeting, the time for lodging proxies shall be as stated in the notice for the meeting.”

20. A new **paragraph 1.6** to be inserted immediately after the inserted paragraph 1.5 of Schedule 1 to the Trust Deed as follows:

“1.6 The REIT Manager and, at any general meeting, the Chairman of the meeting may from time to time make arrangements for managing attendance and/or participation and/or voting at any Meeting Location(s) and/or participation in a virtual meeting or a hybrid meeting by means of electronic facilities (whether involving the issue of tickets or some other means of identification, passcode, seat reservation, electronic voting or otherwise) and any other matters incidental to the holding or convening of general meetings as it shall in its absolute discretion consider appropriate, and may from time to time change any such arrangements, provided that a Holder who, pursuant to such arrangements, is not entitled to attend, in person or by proxy, at any Meeting Location shall be entitled so to attend at one of the other Meeting Locations; and the entitlement of any Holder so to attend the meeting or adjourned meeting or postponed meeting at such Meeting Location or Meeting Locations shall be subject to any such arrangement as may be for the time being in force and by the notice of meeting or adjourned meeting or postponed meeting stated to apply to the meeting.”

21. A new **paragraph 1.7** to be inserted immediately after the inserted paragraph 1.6 of Schedule 1 to the Trust Deed as follows:

“1.7 The REIT Manager and, at any general meeting, the Chairman of the meeting may make any arrangement and impose any requirement or restriction the REIT Manager or the Chairman of the meeting, as the case may be, considers appropriate to ensure the security and orderly conduct of a meeting (including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place, determining the number and frequency of and the time allowed for questions that may be raised at a meeting). Holders shall also comply with all requirements or restrictions imposed by the owner of the premises at which the meeting is held. Any decision made under this Deed shall be final and conclusive and a person who refuses to comply with any such arrangements, requirements or restrictions may be refused entry to the meeting or ejected (physically or electronically) from the meeting.”

22. A new **paragraph 1.8** to be inserted immediately after the inserted paragraph 1.7 of Schedule 1 to the Trust Deed as follows:

“1.8 All persons seeking to attend and participate in a virtual meeting or a hybrid meeting shall be responsible for maintaining adequate facilities to enable them to do so. Subject to paragraph 4.2 below, any inability of a person or persons to attend or participate in a general meeting by way of electronic facilities shall not invalidate the proceedings of and/or resolutions passed at that meeting.”

23. **paragraph 2.2 of Schedule 1** to the Trust Deed be amended as follows:

“**2.2** Without prejudice to the requirements mentioned in paragraph 1.1 of this Schedule 1, notice of every meeting shall be given to the Holders in accordance with the Code and, where applicable, the Listing Rules and in the manner provided in this Deed. The notice shall specify: (a) the place, day and hour of the meeting and the terms of any resolution to be proposed thereat, (b) save for a virtual meeting, the Principal Meeting Place and any other Meeting Location(s), (c) if the general meeting is to be a hybrid meeting or a virtual meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic facilities at the meeting or where such details will be made available by the REIT Manager prior to the meeting, and (d) particulars of resolutions to be considered at the meeting. A copy of the notice shall be sent ~~by post~~ to the Trustee, unless the meeting is convened by the Trustee in which case a copy of the notice shall be sent ~~by post~~ to the REIT Manager. The accidental omission to give notice to or the non-receipt of notice by any of the Holders shall not invalidate the proceedings at any meeting. In this paragraph 2.2, Holders means the persons who were Holders on the date falling seven days (or such shorter period as may be determined by the REIT Manager with the consent of the Trustee and the Registrar (not to be unreasonably withheld or delayed)) before the notice was issued, but excluding any persons who are known not to be Holders at the time of the meeting or at any other relevant time. Where a meeting is adjourned, this paragraph applies as if the reference to the notice given under this paragraph 2.2 was a reference to the notice of the adjourned meeting given under paragraph 4.1 below.”

24. **paragraph 3.1 of Schedule 1** to the Trust Deed be amended as follows:

“**3.1** At any meeting of Holders, two or more Holders present in person or by proxy registered as holding together not less than 10% of the Units for the time being in issue and outstanding shall form a quorum for the transaction of business, except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution shall be two or more Holders present in person or by proxy registered as holding together not less than 25% of the Units in issue and outstanding. Any Holder (or, in the case of a Holder being a corporation, by its duly authorised representative) or his proxy attending and participating in a general meeting (in any form which may be specified in paragraph 1.1 above) at a Meeting Location or by electronic facilities is deemed to be present at and shall be counted in the quorum of the meeting. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. Subject to paragraph 3.10, split proxies shall, for the avoidance of doubt, be permitted.”

25. **paragraph 3.4 of Schedule 1** to the Trust Deed be amended as follows:

“**3.4** On a poll every Holder who is present in person or by proxy shall have one vote for every Unit of which he is the Holder provided such Units are fully paid up. Votes may be cast by such means, electronic or otherwise, as the REIT Manager or the Chairman of the meeting may determine. Votes passed by a Holder in contravention of the Code or Listing Rules shall not be counted.”

26. **paragraph 3.7 of Schedule 1** to the Trust Deed be amended as follows:

“**3.7** An instrument of proxy may be in the following form or in any other form which the Trustee shall approve:

“I/We/name of body corporate, of being a Holder of Units of and in the Trust known as the Regal Real Estate Investment Trust hereby appoint of as my/our proxy to vote for me/us and on my/our behalf in respect of Units registered in my/our name at the meeting of Holders of Units of and in the said Trust to be held on the day of 20 and at any adjournment or postponement thereof.

AS WITNESS my hand/signed under seal this day of 20 .”

27. **Paragraph 3.7A of Schedule 1** to the Trust Deed be amended as follows:

“**3.7A** The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a ~~notarially~~ certified copy of such power of attorney or authority shall be deposited at such place as the REIT Manager or the Trustee may in the notice convening the meeting direct, or if no such place is appointed then at the registered office of the Registrar, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting or postponed meeting at which the person named in the instrument proposes to vote; and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date stated in it as the date of its execution. Delivery of an instrument appointing a proxy shall not preclude a Holder from attending and voting at the meeting or poll concerned and, in such event, the instrument appointing the proxy shall be deemed to be revoked. A person appointed to act as a proxy need not be a Holder.”

28. **Paragraph 3.8 of Schedule 1** to the Trust Deed be amended as follows:

“**3.8** (a) A Holder may by an instrument in writing (an “**instrument of proxy**”) in the form available from the specified office of the REIT Manager signed by the Holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation appoint any person (a “**proxy**”) to act on his or its behalf in connection with any meeting or proposed meeting of Holders.

- (b) A Holder which is a corporation may be delivering to the REIT Manager not later than 24 hours before the time fixed for any meeting a resolution of its directors or other governing body authorise any person to act as its representative (a “**representative**”) in connection with any meeting or proposed meeting of Holders.
- (c) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal (or revocation of the proxy or of the power of attorney or other authority under which the proxy was signed) or the transfer of the Units in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received at the place appointed for the deposit of proxies (or if no such place is appointed at the registered office of the Registrar before the commencement of the meeting or adjourned meeting or postponed meeting at which the proxy is used).”
29. **Heading of paragraph 4 of Schedule 1** to the Trust Deed be amended as follows:
- “**4. Adjourned or Postponed Meetings**”
30. **paragraph 4.1 of Schedule 1** to the Trust Deed be amended as follows:
- “**4.1** If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to such day and time not being less than fifteen days thereafter and/or to such place as ~~may be appointed~~ and/or from one form to another (a physical meeting, a hybrid meeting or a virtual meeting) as may be determined by the REIT Manager or the Trustee, if appropriate and, at such adjourned meeting, the Holders present in person or by proxy shall be a quorum (irrespective of the number of Holders present or number of Units they hold) for transaction of business and any proxy for the original meeting shall be valid for twelve months from the date named in it as the date of its execution (unless the relevant proxy otherwise specifies).”
31. A new **paragraph 4.2** to be inserted immediately after paragraph 4.1 of Schedule 1 to the Trust Deed as follows:
- “**4.2** If it appears to the Chairman of the general meeting that:
- (a) the electronic facilities at any Meeting Location(s) at which the meeting may be attended have become inadequate for the purposes referred to in paragraph 1.4 above or are otherwise not sufficient to allow the meeting to be conducted substantially in accordance with the provisions set out in the notice of the meeting; or
- (b) in the case of a virtual meeting or a hybrid meeting, electronic facilities being made available by the REIT Manager have become inadequate; or

- (c) it is not possible to ascertain the view of those present or to give all persons entitled to do so a reasonable opportunity to communicate and/or vote at the meeting; or
- (d) there is violence or the threat of violence, unruly behavior or other disruption occurring at the meeting or it is not possible to secure the proper and orderly conduct of the meeting;

then, without prejudice to any other power which the Chairman of the meeting may have under this Deed or at common law, the Chairman may, at his/her absolute discretion, without the consent of the meeting, and before or after the meeting has started and irrespective of whether a quorum is present, interrupt or adjourn the meeting (including adjournment for indefinite period). All business conducted at the meeting up to the time of such adjournment shall be valid if the requisite quorum is present at the commencement of business.”

32. A new **paragraph 4.3** to be inserted immediately after the inserted paragraph 4.2 of Schedule 1 to the Trust Deed as follows:

“4.3 If, after the sending of notice of a general meeting but before the meeting is held, or after the adjournment of a meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the REIT Manager, in its absolute discretion, considers that it is inappropriate, impracticable, unreasonable or undesirable for any reason to hold the general meeting on the date or at the time or place or by means of electronic facilities specified in the notice calling the meeting, it may change or postpone the meeting to another date, time and/or place and/or change the electronic facilities and/or change the form of the meeting (a physical meeting, a virtual meeting or a hybrid meeting) without approval from the Holders. Without prejudice to the generality of the foregoing, the REIT Manager shall have the power to provide in every notice calling a general meeting the circumstances in which a postponement of the relevant general meeting may occur automatically without further notice, including without limitation where a number 8 or higher typhoon signal, black rainstorm warning or other similar event is in force at any time on the day of the meeting. The followings provisions shall apply to any such arrangement:

- (a) when a meeting is so postponed, the REIT Manager shall endeavour to post a notice of such postponement on the Trust’s website as soon as practicable (provided that failure to post such a notice shall not affect the automatic postponement of such meeting);
- (b) when only the form of the meeting or electronic facilities specified in the notice are changed, the REIT Manager shall notify the Holders of details of such change in such manner as the REIT Manager may determine;

- (c) when a meeting is postponed or changed in accordance with this Deed, subject to and without prejudice to paragraph 4.1 below, unless already specified in the original notice of the meeting, the REIT Manager shall fix the date, time, place (if applicable) and electronic facilities (if applicable) for the postponed or changed meeting and shall notify the Holders of such details in such manner as the REIT Manager may determine; further all forms of proxy shall be valid (unless revoked or replaced by a new proxy) if they are received as required by this Deed not less than 48 hours before the time of the postponed or changed meeting; and
- (d) notice of the business to be transacted at the postponed or changed meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the postponed or changed meeting is the same as that set out in the original notice of general meeting circulated to the Holders.”

NOTICE OF EXTRAORDINARY GENERAL MEETING



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



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of the unitholders (the “Unitholders”) of Regal Real Estate Investment Trust (“Regal REIT”) will be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Wednesday, 31 January 2024 at 12:00 noon for the purpose of considering and, if thought fit, passing (with or without amendments) the resolution below.

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the unitholder circular of Regal REIT dated 11 January 2024 (the “Circular”).

ORDINARY RESOLUTION

NO. 1

“THAT:

- (a) approval (which, where relevant, shall include approval by way of ratification) be and is hereby given for the Lease and Guarantee Extension (including the proposed new annual caps applicable thereto) and the transactions contemplated thereunder; and
- (b) authorisation be granted to the Manager, any Director of the Manager and the Trustee to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such Director of the Manager or, as the case may be, such duly authorised signatory of the Trustee may consider expedient or necessary or in the interest of Regal REIT to give effect to the matters resolved upon in paragraph (a) of this resolution.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTION NO. 2

“THAT:

- (a) approval (which, where relevant, shall include approval by way of ratification) be and is hereby given for the HMA Extension, the transactions contemplated thereunder and the relevant new annual caps applicable thereto; and
- (b) authorisation be granted to the Manager, any Director of the Manager and the Trustee to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such Director of the Manager or, as the case may be, such duly authorised signatory of the Trustee may consider expedient or necessary or in the interest of Regal REIT to give effect to the matters resolved upon in paragraph (a) of this resolution.”

SPECIAL RESOLUTION

“THAT:

- (a) pursuant to clause 26 of the Trust Deed, approval (where relevant, shall include approval by way of ratification) be and is hereby given for the proposed Trust Deed Amendments as more fully described in Appendix II to the Circular; and
- (b) authorisation be granted to the Manager, any Director of the Manager and the Trustee to complete and to do all such acts and things (including executing all such documents as may be required) as the Manager, such Director of the Manager or, as the case may be, such duly authorised signatory of the Trustee may consider expedient or necessary or in the interest of Regal REIT to give effect to the matters resolved upon in paragraph (a) of this resolution.”

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

Registered Office of the Manager:
Unit No. 2001, 20th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A Unitholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on a poll in his/her stead. The person appointed to act as a proxy need not be a Unitholder.
2. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Unit Registrar of Regal REIT, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person should you so wish. In the event that you attend and vote at the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
3. Where there are joint registered Unitholders of a Unit, any one of such Unitholders may vote at the meeting either personally or by proxy in respect of such Unit as if he/she were solely entitled thereto, but if more than one of such Unitholders are present at the meeting personally or by proxy, that one of such Unitholders so present whose name stands first on the register of Unitholders of Regal REIT (the "**Register of Unitholders**") in respect of such Unit shall alone be entitled to vote in respect thereof.
4. The Register of Unitholders will be closed from Friday, 26 January 2024 to Wednesday, 31 January 2024, both days inclusive, during which period no transfers of Units will be effected. 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 not later than 4:30 pm on Thursday, 25 January 2024.
5. There will be no distribution of corporate gifts or serving of refreshments at the EGM.
6. In the event that a typhoon signal no. 8 (or above) or a black rainstorm warning is in effect on the day of the EGM, Unitholders may call the Manager's hotline at (852) 2805-6336 to enquire about the arrangements of the EGM.

As at the date of this notice, 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.