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10 December 2024

To the Regal Independent Board Committee and the Regal Independent Shareholders

Regal Hotels International Holdings Limited
11th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

Dear Sir and Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Regal Independent Financial Adviser to advise the Regal Independent Board Committee and the Regal Independent Shareholders in respect of the transaction contemplated under the 2024 Facilities Agreement, details of which are set out in the "Letter from the Regal Board" contained in the circular of Regal dated 10 December 2024 (the "**Circular**"). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 21 September 2021, (i) Long Profits, (ii) Cosmopolitan, and (iii) Bizwise entered into the First Supplemental Agreement to amend certain terms of the Original Facilities Agreement, pursuant to which, among others, the aggregate original term loan and revolving loan facilities of an aggregate amount of HK$1,850 million were reduced to HK$857 million (comprising the reduced term loan of HK$357 million and the revolving loan of up to HK$500 million) and the maturity date was extended to 12 October 2024. The 2021 Facilities Agreement was approved by the then respective independent shareholders of Regal and Cosmopolitan at their respective general meetings held on 30 November 2021.

On 3 September 2024 (after trading hours), Long Profits, Cosmopolitan and Bizwise entered into the Second Supplemental Agreement to amend certain terms of the 2021 Facilities Agreement, pursuant to which, among other things,

- the maturity date is to be extended for a period of 3 years until 12 October 2027 (originally 12 October 2024); and

- commencing from 12 October 2024, the interest rate is to be changed to 1-month HIBOR plus 1.95% per annum (originally the interest rate was at a fixed rate of 5% per annum).

Saved as mentioned above, there are no other material changes to the terms and conditions of the 2021 Facilities Agreement.

The salient terms and conditions of the 2024 Facilities Agreement are set out in the "Letter from the Regal Board" of the Circular.

LISTING RULES IMPLICATIONS

The transaction contemplated under the Original Facilities Agreement was approved by the respective independent shareholders of Regal and Cosmopolitan on 11 October 2016 and the transaction contemplated under the 2021 Facilities Agreement was approved by the respective independent shareholders of Regal and Cosmopolitan on 30 November 2021. As the Second Supplemental Agreement constitutes a material change to the terms of the 2021 Facilities Agreement, re-compliance with the Listing Rules is necessary.

The Lender is a wholly-owned subsidiary of Regal. Each of Regal and Cosmopolitan is a listed subsidiary of Paliburg. Based on the applicable percentage ratios, the Transaction constitutes a major and connected transaction for Regal which is subject to announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Mr. LO Yuk Sui is the controlling shareholder of Century City which is in turn the listed holding company of Paliburg. Mr. LO Yuk Sui, Ms. LO Po Man, Century City, Paliburg and their respective associates, in aggregate holding, and entitled to exercise control over the voting rights in respect of, 623,709,330 Regal Shares (representing approximately 69.4% of all the issued Regal Shares) as at the Latest Practicable Date, will abstain from voting at the SGM. Apart from Mr. LO Yuk Sui, Ms. LO Po Man, Century City, Paliburg and their respective associates, as at the Latest Practicable Date, no other Regal Shareholders had a material interest in the Transaction, other than being a Regal Shareholder.

THE REGAL INDEPENDENT BOARD COMMITTEE

The Regal Independent Board Committee, comprising Professor Japhet Sebastian LAW (being an independent non-executive Regal Director) only, has been established to advise the Regal Independent Shareholders as to whether the Transaction is on normal commercial terms, fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole, and on how to vote on the resolution to be proposed at the SGM.

As Ms. Winnie NG and Mr. WONG Chi Keung (both being independent non-executive Regal Directors) are also independent non-executive directors of Century City and Paliburg, the listed holding companies of Cosmopolitan, and Ms. Alice KAN Lai Kuen (being an independent non-executive Regal Director) is also an independent non-executive director of Cosmopolitan, they are not members of the Regal Independent Board Committee.

THE REGAL INDEPENDENT FINANCIAL ADVISER

As the Regal Independent Financial Adviser to the Regal Independent Board Committee and the Regal Independent Shareholders, our role is to give an independent opinion to the Regal Independent Board Committee and the Regal Independent Shareholders as to (i) whether the terms of the Transaction are on normal commercial terms, fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole; (ii) whether the Transaction is in the ordinary and usual course of business of the Regal Group; and (iii) how the Regal Independent Shareholders should vote in respect of the ordinary resolution to be proposed at the SGM in relation to the Transaction.

We have not acted as financial adviser in relation to any transactions of Regal in the two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Transaction is at market level and not conditional upon successful passing of the resolution to be proposed at the SGM, and that our engagement is on normal commercial terms, we are independent of and not associated with Regal, its controlling shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Original Facilities Agreement; (ii) the 2021 Facilities Agreement; (iii) the 2024 Facilities Agreement; (iv) the annual report of Regal for the year ended 31 December 2023 (the "**Regal 2023 Annual Report**"); (v) the interim report of Regal for the six months ended 30 June 2024 (the "**Regal 2024 Interim Report**"); (vi) the annual report of Cosmopolitan for the year ended 31 December 2023 (the "**Cosmopolitan 2023 Annual Report**"); (vii) the interim report of Cosmopolitan for the six months ended 30 June 2024 (the "**Cosmopolitan 2024 Interim Report**"); and (viii) other information set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Regal Group, the Regal Directors and the management of the Regal Group (the "**Management**"). We have assumed that all the statements, information, opinions and representations for matters relating to the Regal Group contained or referred to in the Circular and/or provided to us by the Regal Group, the Regal Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the date of the Circular. The Regal Directors collectively and individually accept full responsibility thereof, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Regal Group. The Regal Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any such statements, information, opinions or representations we relied on in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading. We have relied on such statements, information, opinions and representations. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Regal Group and the Cosmopolitan Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Regal Group

1.1 Principal business of the Regal Group

The Regal Group is principally engaged in hotel ownership business undertaken through Regal REIT, hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R, aircraft ownership and leasing and other investments including financial assets investments.

1.2 Financial information of the Regal Group

Set out below is a table summarising the financial information of the Regal Group for the two years ended 31 December 2022 ("**FY2022**") and 31 December 2023 ("**FY2023**") and the six months ended 30 June 2023 ("**1H FY2023**") and 30 June 2024 ("**1H FY2024**"), as extracted from the Regal 2023 Annual Report and the Regal 2024 Interim Report respectively.

	1H FY2024 *HK$'million* *(unaudited)*	**1H FY2023** *HK$'million* *(unaudited)*	**FY2023** *HK$'million* *(audited)*	**FY2022** *HK$'million* *(audited)*
Revenue	863.4	776.4	1,792.2	1,831.1
Loss for the period/year	(1,665.0)	(823.2)	(1,931.6)	(411.3)

	As at		
	30 June 2024	**31 December 2023**	**31 December 2022**
	HK$'million	*HK$'million*	*HK$'million*
	(unaudited)	*(audited)*	*(audited)*
Total assets	26,149.4	28,518.7	30,247.8
- *Cash and bank balances and deposits*	1,140.0	1,684.9	1,744.5
Total liabilities	16,792.0	17,408.2	16,856.4
Net assets	9,357.4	11,110.5	13,391.4
Gearing ratio (Note)	55.4%	50.8%	45.7%

Note: The gearing ratio of the Regal Group was computed based on its total borrowings, net of cash and bank balances and deposits, as compared to the total assets of the Regal Group.

Source: Regal 2023 Annual Report and Regal 2024 Interim Report

FY2023 compared to FY2022

The Regal Group's revenue decreased modestly by approximately 2.1% from approximately HK$1,831.1 million in FY2022 to approximately HK$1,792.2 million in FY2023. Despite the revenue generated from hotel operations and management services in FY2023 achieved a modest year-on-year growth of approximately 2.0%, the decrease in Regal Group's revenue in FY2023 was mainly due to the absence of the proceeds from sales of properties recorded in FY2023.

The Regal Group incurred a net loss of approximately HK$1,931.6 million in FY2023, as compared to a net loss of approximately HK$411.3 million in FY2022. Despite having recorded in FY2023 a fair value gain upon reclassification of properties held for sale to investment properties of approximately HK$241.6 million and a reversal of impairment loss on items of property, plant and equipment and right-of-use assets of approximately HK$15.3 million, the Regal Group's financial results for FY2023 had been adversely affected by the net fair value losses on financial assets at fair value through profit or loss of approximately HK$914.2 million, the net fair value losses on investment properties of approximately HK$16.7 million, the impairment loss of properties under development of approximately HK$42.5 million and depreciation charges of HK$618.6 million, though essentially all non-cash items.

As at 31 December 2023, net assets of the Regal Group decreased to approximately HK$11,110.5 million, as compared with approximately HK$13,391.4 million as at 31 December 2022, representing a decrease of approximately 17.0% mainly due to the net loss incurred for FY2023.

1H FY2024 compared to 1H FY2023

Revenue of the Regal Group for 1H FY2024 amounted to approximately HK$863.4 million, which represented an increase of approximately 11.2% as compared to approximately HK$776.4 million for the corresponding period in 2023. Such increase was mainly due to the improving contribution from the hotel operation and management and hotel ownership segment, despite that the operating environment of the hospitality industry in Hong Kong during the period under review had been competitive and challenging.

The Regal Group's net loss substantially increased from approximately HK$823.2 million for 1H FY2023 to approximately HK$1,665.0 million for 1H FY2024. This was mainly attributable to the substantial outlay in finance costs on account of the relatively high level of interest rates still sustaining during the period under review (1H FY2024: approximately HK$511.8 million vs 1H FY2023: approximately HK$413.1 million), the net fair value loss on the financial assets at fair value through profit or loss (1H FY2024: approximately HK$932.6 million vs 1H FY2023: approximately HK$259.1 million) and the share of losses of a joint venture (1H FY2024: loss of approximately HK$119.4 million vs 1H FY2023: loss of approximately HK$8.3 million).

As at 30 June 2024, net assets of the Regal Group decreased to approximately HK$9,357.4 million, as compared with approximately HK$11,110.5 million as at 31 December 2023, representing a decrease of approximately 15.8% due to the net loss incurred for 1H FY2024.

1.3 Outlook of the Regal Group

The Regal Group will continue to principally engage in hotel operation and management and hotel ownership, property development and investment, aircraft ownership and leasing and other investments.

It is noted that the Hong Kong Government had launched various mega events to attract incoming visitors and will continue to host major events to boost the local economy. In addition, initiatives such as expanding the Individual Visit Scheme, increasing tax-free shopping limits for Mainland China tourists and resuming multiple-entry endorsements for Shenzhen residents are expected to enhance Hong Kong's attractiveness as a tourist destination and boost the local hotel industry, although the visibility of a significant improvement remains uncertain given the ongoing economic and geopolitical challenges.

According to the Management, the Regal Group is implementing progressively the planned disposals of part of its non-core assets, with a view to reinforcing its liquidity resources and overall financial strength. The Regal Group still owns a strong asset portfolio with principal focus in hotels and properties. The Regal Directors are confident that as the overall business environment continues to revive, the financial performance of the Regal Group will gradually improve.

2. Background information of the Cosmopolitan Group

2.1 Principal business of the Cosmopolitan Group

The Cosmopolitan Group is principally engaged in property development and investment, which are mainly focused in the Mainland China, and other investments including financial assets investments, and is presently undertaking the Chengdu Project and the Tianjin Project. Further details of the Projects are set out in the Cosmopolitan 2024 Interim Report.

2.2 Financial information of the Cosmopolitan Group

Set out below is a table summarising the financial information of the Cosmopolitan Group for FY2022 and FY2023, and 1H FY2023 and 1H FY2024, as extracted from the Cosmopolitan 2023 Annual Report and the Cosmopolitan 2024 Interim Report respectively.

	1H FY2024	**1H FY2023**	**FY2023**	**FY2022**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
Revenue	314.3	23.5	77.3	1,015.7
Profit/(Loss) for the period/year	(169.0)	(98.3)	(372.3)	4.0

	As at		
	30 June 2024	**31 December 2023**	**31 December 2022**
	HK$'million	*HK$'million*	*HK$'million*
	(unaudited)	*(audited)*	*(audited)*
Total assets	3,569.2	3,987.6	4,000.5
- Cash and bank balances and deposits	62.1	63.6	81.6
Total liabilities	2,589.1	2,801.2	2,589.8
Net assets	980.1	1,186.4	1,410.7
Gearing ratio (Note)	36.9%	32.7%	27.8%

Note: The gearing ratio of the Cosmopolitan Group was computed based on its total borrowings including convertible bonds/notes, net of cash and bank balances and deposits, as compared to the total assets of the Cosmopolitan Group.

Source: Cosmopolitan 2023 Annual Report and Cosmopolitan 2024 Interim Report

FY2023 compared to FY2022

The Cosmopolitan Group's revenue decreased from approximately HK$1,015.7 million in FY2022 to approximately HK$77.3 million in FY2023. Such decrease was mainly attributed to the decrease in revenue from the property development and investment segment as a result of the decrease in delivery of completed property units as compared to the previous year.

The Cosmopolitan Group recorded a net loss of approximately HK$372.3 million for FY2023, whilst there was a net profit of approximately HK$4.0 million for FY2022. Apart from the lack of contribution from the sale of properties in FY2023, the Cosmopolitan Group's financial results had been adversely impacted by the increase in the net fair value losses on financial assets at fair value through profit or loss of approximately HK$19.1 million, the impairment loss on properties under development of approximately HK$63.3 million and the impairment loss of properties held for sale of approximately HK$108.9 million, though essentially all non-cash items.

As at 31 December 2023, net assets of the Cosmopolitan Group decreased to approximately HK$1,186.4 million from approximately HK$1,410.7 million as at 31 December 2022, due primarily to the net loss incurred for FY2023.

1H FY2024 compared to 1H FY2023

The Cosmopolitan Group's revenue increased by approximately 12.4 times from approximately HK$23.5 million in 1H FY2023 to approximately HK$314.3 million in 1H FY2024. This was mainly due to the significant increase in the sale of completed property units, which accounted for approximately 97.9% and 99.7% of the total revenue of the Cosmopolitan Group in 1H FY2023 and 1H FY2024 respectively.

For 1H FY2024, the Cosmopolitan Group incurred a net loss of approximately HK$169.0 million, as compared to a net loss of approximately HK$98.3 million in 1H FY2023. The increased loss incurred was mainly attributable to the taxation charges levied on the Cosmopolitan Group's property projects in Mainland China on account of the revisions in the basis of allocation of project development costs that were adopted in prior years. On the other hand, the profit contribution from the sale of property units in the Projects was relatively modest.

As at 30 June 2024, net assets of the Cosmopolitan Group decreased to approximately HK$980.1 million from approximately HK$1,186.4 million as at 31 December 2023, due primarily to the net loss incurred for 1H FY2024.

2.3 Outlook of the Cosmopolitan Group

The uncertainties surrounding the global economy are expected to persist, at least in the near term.

With an aim to supporting a stable development of the property market in Mainland China, the central government authorities announced in January 2024 a plan for the establishment of a financing coordination mechanism for the real estate sector. Under the plan, financing support will be made available by commercial banks to the real estate developers for those of their property development projects that are eligible for financing assistance. This can ensure the smooth delivery of presold commodity properties and, in turn, restore market confidence.

In February 2024, the People's Bank of China announced the lowering of the Loan Prime Rate ("**LPR**") for tenors of 5 years or more by margins that exceeded market expectations. The lowering of the LPR reduced the interest burden for long-term loans, particularly residential mortgages, which was aimed at stimulating demands and stabilising market expectations. Meanwhile, it can also be expected that more policy measures will be introduced by the central government authorities to promote the long-term growth of the real estate sector in China.

Having considered (i) the prevailing property market condition in Mainland China which may pose challenges on the Cosmopolitan Group's property development business; (ii) the central government's recent stimulating policies towards the property market (as described under the section headed "3. Reasons for and benefits of the Transaction" below) may still take time to reveal its impact; and (iii) the Cosmopolitan Group's recent financial performance under the headwinds from the macro environment and its current financial position, the directors of Cosmopolitan remain optimistic that when the property market in Mainland China gradually revives, the Cosmopolitan Group will be able to secure substantial revenues from its two development projects in Chengdu and Tianjin.

3. Reasons for and benefits of the Transaction

In August 2016, Long Profits, Cosmopolitan and Bizwise entered into the Original Facilities Agreement whereby Long Profits made available to Bizwise the original loan facilities of HK$1,850 million for settlement by the Cosmopolitan Group of the then outstanding consideration payable to the Regal Group in connection with its acquisition of the Chengdu Project and the Tianjin Project in 2013.

In September 2021, Long Profits, Cosmopolitan and Bizwise entered into the First Supplemental Agreement, pursuant to which certain terms of the Original Facilities Agreement were amended, among others, the loan facilities were reduced to an aggregate amount of HK$857 million and the maturity date was extended to 12 October 2024.

As the real estate market in Mainland China has yet to fully revive after the pandemic, the presale and sale of the remaining commercial components of the Projects of the Cosmopolitan Group have been slower than expected but the management of Cosmopolitan continues to maintain a positive outlook. Since the fourth quarter of 2023, the central government authorities in Mainland China have continually implemented a series of supportive policies and measures with a view to stabilising the overall local property market. The Management agrees with the expectation of the management of Cosmopolitan that when the property market in Mainland China gradually recovers, substantial sales proceeds can be expected to be generated from the remaining commercial component parts comprised in the Projects.

According to the Management, the 2024 Facilities Agreement will allow the Cosmopolitan Group to align the timing for the repayment of the Loan Facilities with its projected completion schedule and sale progress of the Projects. The revolving loan facility under the Loan Facilities in the amount of HK$500 million is made available to Bizwise on a revolving basis with a view to providing flexibility to the Cosmopolitan Group in the management of its surplus cash funds in the interim period, before the Loan Facilities are fully repaid. The revised interest rate under the Loan Facilities has taken into consideration the recent cost of funding to the Regal Group, which is primarily based on a floating interest rate mechanism.

We have discussed with the Management about the latest economic conditions in Chengdu and Tianjin. According to the statistics published by the Municipal Bureau of Statistics of Chengdu[1] and Tianjin[2] respectively, the gross domestic product of Chengdu and Tianjin have gradually increased from RMB2,081.75 billion and RMB1,631.13 billion in 2022, to RMB2,207.74 billion and RMB1,673.73 billion in 2023.

In addition, we noted that in September 2024, the People's Bank of China and the National Financial Regulatory Administration rolled out an array of policies to stabilise the real estate market. The central bank will increase funding for financial institutions if they issue loans to support local state-owned enterprises to acquire completed yet unsold commercial housing at reasonable prices for use as affordable housing. This array of stimulus measures underpinned efforts of the central government to reverse the downturn of and stabilise the real estate market. Subsequently in October 2024, the authority further announced new measures to cement signs of stabilisation in the property sector, in particular, eligible real estate projects will be included in the "white list" mechanism[3] and that their reasonable financing needs will be met through loans. We believe such stimulus measures will have a positive impact to the long term healthy development of the property market in the PRC and, in turn, the Chengdu Project and the Tianjin Project of the Cosmopolitan Group will also be benefitted.

In view of the above and the development and sales plan of the Projects which will align with the time for the repayment of the Loan Facilities upon the extended maturity date (as described in item (iv) under paragraph "4.2 Repayment term" below), we concur with the Management that the Transaction will allow the Cosmopolitan Group reasonable time to dispose of its property assets in an orderly manner. Given that the Regal Group holds (i) approximately 9.0% of the issued ordinary shares of Cosmopolitan and convertible notes of Cosmopolitan in the principal amount of approximately HK$21.3 million; and (ii) 50% interests in P&R which in turn holds approximately 57.0% of the issued ordinary shares of Cosmopolitan, approximately 229.5 million convertible preference shares of Cosmopolitan and convertible notes of Cosmopolitan in the principal amount of approximately HK$104.2 million, the Regal Group will benefit from the gain in shareholders' value from the successful sale of the remaining commercial component parts comprised in the Projects under the Cosmopolitan Group.

The Management believes that even if the Cosmopolitan Group had considered external refinancing, being bank borrowing, for the repayment in full of the amount payable to the Regal Group, such approach would be impracticable in light of the present condition of the property market in Mainland China, the limitations under the relevant banks' loan policies as well as the possible lending terms and conditions. Separately, the Management has considered the feasibility to demand for repayment or enforcement of the Loan Facilities as described below. Hence, the Management believes the entering into the 2024 Facilities Agreement is a pragmatic and reasonable approach under the current circumstances. Continuing the Loan Facilities may also help the Cosmopolitan Group to secure other financing sources to support its development in the Projects level.

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1 Municipal Bureau of Statistics of Chengdu - https://cdstats.chengdu.gov.cn/cdstjj/c154795/2024-03/30/content_68e47282894d4e47a77e59f5592808ab.shtml

2 Municipal Bureau of Statistics of Tianjin - https://stats.tj.gov.cn/tjsj_52032/tjgb/202403/t20240318_6563697.html

3 "White list" mechanism launched in January 2024, local authorities are recommending that financial institutions provide financial support to eligible real estate projects. Please refer to the link for reference - https://www.gov.cn/zhengce/zhengceku/202401/content_6925683.htm

The Regal Group's cash and bank balances and deposits position had decreased from approximately HK$1,744.5 million as at 31 December 2022 to approximately HK$1,140.0 million as at 30 June 2024 due mainly to the finance costs incurred as the HIBOR (on which the borrowing costs of the Regal Group's bank loans were based) raised during the year/period (FY2022: approximately HK$463.5 million, FY2023: approximately HK$969.0 million and 1H FY2024: approximately HK$511.8 million). As at the Latest Practicable Date, the outstanding principal amount of the term loan and the revolving loan under the Loan Facilities was HK$357 million and HK$500 million respectively. There will be no further drawdown on the term loan facility under the Transaction. Any further drawdown on the revolving loan facility can only be made if and only if there were repayments from time to time. In short, that means there must be a repayment before a drawdown can be made under the revolving loan facility for a same or smaller amount, which in effect is cash neutral. Therefore, the continual provision of the Loan Facilities is not expected to have any material impact on the cashflow position of the Regal Group. In addition, the Regal Directors have confirmed in the paragraph headed "4. WORKING CAPITAL" in APPENDIX I to the Circular that after taking into consideration the effect of the Transaction and the financial resources available to the Regal Group, including internally generated financial resources and present banking facilities, the Regal Group will have sufficient working capital for its requirements for at least the next twelve months from the date of the Circular in the absence of unforeseeable circumstances.

The property market condition in the Mainland China hits the entire industry and not just the Cosmopolitan Group. The situation in late 2021 (when the Regal Group entered into the First Supplemental Agreement with the Cosmopolitan Group) had not eased off as expected until recently when an array of stimulus measures were poised by the authority to cement signs of stabilisation in the property sector. We have obtained and reviewed the development and sales plan of the Projects through the Management. We noted that majority of the sales of the Projects will be generated beginning from the second half of 2025 through to 2027.

We have also discussed with the Management and noted that they have considered the feasibility of demanding repayment or enforcing the Security on the maturity date of the Loan Facilities. According to the Management, if the Regal Group were to demand repayment or enforce the Security of the Loan Facilities on the maturity date, they have considered the following matters:

(a) according to the financial position of the Cosmopolitan Group as at 30 June 2024 (the latest available published information), the Cosmopolitan Group does not have sufficient cash and bank balances to repay the Loan Facilities in full upon maturity, but the value of the Security reasonably exceeds the Loan Facilities as described in the section headed "4.3 Security" below;

(b) if the Cosmopolitan Group cannot repay the Loan Facilities on the maturity date, the Regal Group may have to exercise the right to enforce the Security to takeover the Projects and to pursue corporate guarantee against Cosmopolitan;

(c) Bizwise is a financing company and has no substantial assets. As at 30 June 2024, the Cosmopolitan Group has total assets of approximately HK$3,569 million (mainly comprise of approximately HK$1,320 million properties under development, approximately HK$1,841 million properties held for sale and approximately HK$62 million total cash and bank balances) and total liabilities of approximately HK$2,589 million (including the principal amount outstanding under the Loan Facilities). The Cosmopolitan Group itself does not have sufficient liquid funds to repay the Loan Facilities on the maturity date;

(d) however, since certain properties of the Projects are still in construction-in-progress stage and part of construction costs remain outstanding, even after taking over of the Projects by the Regal Group, the Regal Group will not only need to dispose of the Projects to repay the Loan Facilities, but also incur resources to manage these construction-in-progress properties and outstanding construction costs; and given the existing sluggish property market condition in the PRC, there is no certainty that the Regal Group can effectuate the disposals within a shorter time and at a better price than the Cosmopolitan Group as planned;

(e) the Regal Group may have to incur, in the meantime, extra cost to hire professional team to take over and manage the sale of the Projects; and

(f) if Regal was to take enforcement proceedings against Cosmopolitan, the Cosmopolitan Group still does not have sufficient liquid assets to repay the Loan Facilities immediately,

whilst the continual provision of the Loan Facilities will allow the Cosmopolitan Group time to complete an orderly sale of the Projects and repay the Regal Group under an extended schedule and the Regal Group will continue to earn interest income during the term of the Loan Facilities.

Having considered the above and that the Loan Facilities will continue to be secured over, among others, the entire issued shares of Excel Crown, Joyous Unity and Grand Praise (being the intermediate holding companies of the Chengdu Project and the Tianjin Project), interest will be earned on the Loan Facilities and the Regal Group can engage and communicate with the Cosmopolitan Group as and when needed, we are of the view that the Transaction is in the interests of Regal and its shareholders as a whole, although it is not in the ordinary and usual course of business of the Regal Group.

4. Salient features of the Second Supplemental Agreement

The salient features of the Second Supplemental Agreement are set out in the section headed "SECOND SUPPLEMENTAL AGREEMENT" of the "Letter from the Regal Board" of the Circular. When considering the fairness and reasonableness of the Transaction, we have taken into account the following factors:

4.1 Interest rate

The interest rate of 5.0% per annum under the 2021 Facilities Agreement was determined after arm's length negotiation between the parties and with reference to the then cost of funding to the Regal Group. Such interest rate is the same rate as under the Original Facilities Agreement.

The interest rate on the Loan Facilities is to be amended to 1-month HIBOR plus 1.95% per annum. We have considered the cost of funding of the Regal Group and accordingly we have reviewed the Regal 2023 Annual Report and Regal 2024 Interim Report. It is noted that for FY2023 and 1H FY2024, the Regal Group's cost of funding was also approximately equivalent to 1-month HIBOR plus 1.95%.

In considering the fairness and reasonableness of the interest rate mechanism (i.e. a fixed rate versus a floating rate), we have conducted independent research, based on (i) the financial assistance transactions to/from connected person involving companies listed on the Main Board of the Stock Exchange (i.e. "**connected transaction or continuing connected transactions**") since May 2024 and up to the date of the 2024 Facilities Agreement (the "**Review Period**"); (ii) the announcements published by the relevant companies during the Review Period as a shorter period and closer to the date of the 2024 Facilities Agreement better reflects the latest market practice on the terms and conditions of the financial assistance; and (iii) the loans denominated in Hong Kong/US dollars. Based on such criteria, we have set out below an exhaustive list (the "**Loan Comparables**").

While the listed companies of the Loan Comparables may be engaged in different businesses and have different financial performances than the Cosmopolitan Group, we are of the view that the Review Period is recent enough with sufficient number of samples and the Loan Comparables are fair and representative for reflecting the market practice regarding financial assistance involving companies listed on the Stock Exchange and their connected persons (in particular, in relation to a fixed interest rate mechanism versus a floating interest rate mechanism) in the recent period.

No.	Date of announcement	Stock code	Name of lender	Name of borrower	Principal amount	Interest rate per annum	Terms of the financial assistance
							Year(s)
1	9 May 2024	2337	Industrial Bank Co., Ltd. Hong Kong Branch	United Strength Power Holdings Limited (Note 1)	Part of a loan facility in the amount of RMB330 million from Industrial Bank Co., Ltd. Changchun Branch, of which no more than to HK$130 million is a revolving facility provided by Industrial Bank Co., Ltd. Hong Kong Branch	The revolving loan facility of no more than HK$130 million has an interest rate of HIBOR + 0.7%	1 year subject to extension as may be approved by Industrial Bank Co., Ltd. Hong Kong Branch
2	30 May 2024	1039	Changyou Alliance Group Limited ("**Changyou**")	Pointsea Company Limited, an indirect non-wholly owned subsidiary of Changyou, the connected person (Note 2)	For the 2019 revolving loan facility - HK$100 million For the 2021 revolving loan facility - HK$100 million	(a) From and including the drawdown date to, but excluding, 31 May 2024, 6.5% per annum; and (b) From and including 31 May 2024, 8.0% per annum	For the 2019 revolving loan facility 6 years and expire on 31 October 2025 For the 2021 revolving loan facility 4 years and expire on 30 May 2025
3	25 July 2024	1556	Chinney Kin Wing Holdings Limited	Chinney Investments, Limited, the connected person (Note 3)	HK$250 million	6.00%	1 year (may seek an extension for a further one year)
4	8 August 2024	346	Yanchang Petroleum Group (Hong Kong) Co., Limited, the connected person	Yancheng Petroleum International Limited (Note 4)	US$22 million (equivalent to approximately HK$171.8 million)	5.20%	3
5	30 August 2024	222	Vigour Fine Company Limited, the connected person	Min Xin Holdings Limited (Note 5)	HK$140 million (unsecured and uncommitted revolving facility)	HIBOR + 1.6%	3
					Maximum	8%	
					Minimum	HIBOR + 0.7%	
	3 September 2024	78	Regal	Cosmopolitan	HK$857 million	HIBOR + 1.95%	3

Source: Stock Exchange's website

Notes:

1. Mr. Zhao Jinmin, one of the controlling shareholders of United Strength Power Holdings Limited, owned more than 30% of the registered capital in Changchun Yitonghe Petroleum Distribution Company Limited. Hence, Changchun Yitonghe Petroleum Distribution Company Limited is regarded as an associate of Mr. Zhao Jinmin, and hence a connected person of United Strength Power Holdings Limited under Chapter 14A of the Listing Rules. Accordingly, the provision of the pledge (equivalent to all the amount due under the loan agreement) to Industrial Bank Co., Ltd, Changchun Branch as security pursuant to the loan agreement constitutes a financial assistance to be provided by United Strength Power Holdings Limited and its subsidiaries to a connected person and thus a connected transaction of United Strength Power Holdings Limited in accordance with Chapter 14A of the Listing Rules.

The security is the pledge. The value of the pledge is referring to the value of the pledged properties in the amount of approximately RMB27,426,000. The pledged properties are situated at (i) 綠園區西四環油氣站站房 with a gross area of 5,524 square metres and property construction area of 284.64 square metres; and (ii) 綠園區長春景陽加油站站房 with a gross area of 2,230 square metres and property construction area of 144.96 square metres.

The principal businesses of United Strength Power Holdings Limited and its subsidiaries are the sale of refined oil products to vehicular end-users by operating petroleum refuelling stations, operation of CNG, LNG and LPG refuelling stations and mixed refuelling stations which sell CNG and LNG and provision of petroleum and gas transportation services in Jilin, Liaoning and Heilongjiang Provinces. United Strength Power Holdings Limited and its subsidiaries also engaged in the operation and management of petroleum and gas transportation services in Jilin Province of the PRC through its operating subsidiaries in the PRC.

2. Since Pointsea Company Limited is a connected person of Changyou Alliance Group Limited under Rule 14A.16 of the Listing Rules, the grant of the 2019 and 2021 revolving loan facilities constitutes a continuing connected transaction of Changyou Alliance Group Limited under Chapter 14A of the Listing Rules.

   Changyou Alliance Group Limited and its subsidiaries are principally engaged in the development and operations of the digital point business and electronic trading platform, "Changyou", which aims to integrate the digital membership points, resources and strategic advantages of business partners in the Changyou digital point business ecosystem alliance.

   No security is provided by the borrower.

3. Chinney Investments, Limited is a connected person of Chinney Kin Wing Holdings Limited pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into of the loan agreement constitutes a connected transaction of Chinney Kin Wing Holdings Limited under Chapter 14A of the Listing Rules.

   Chinney Kin Wing Holdings Limited and its subsidiaries are principally engaged in a wide range of foundation works including (i) piling construction (such as bored piling, percussive H-piling, socketed H-piling, mini-piling and sheet piling) and other ancillary services (such as excavation and lateral support works, site formation and pile cap construction); and (ii) drilling and site investigation.

   No security is provided by the borrower.

4. Yanchang Petroleum Group (Hong Kong) Co., Limited is the controlling shareholder of Yanchang Petroleum International Limited. As such, Yanchang Petroleum Group (Hong Kong) Co., Limited is a connected person of Yanchang Petroleum International Limited as defined under the Listing Rules and hence the transaction contemplated under the supplemental loan agreement constitutes a connected transaction of Yanchang Petroleum International Limited under Chapter 14A of the Listing Rules.

   Yanchang Petroleum International Limited and its subsidiaries are principally engaged in investment in the oil, gas and energy related business; oil and gas exploration, exploitation and operation; and trading and distribution of oil related products.

   The loan is secured by 70% of the issued share capital of Henan Yanchang Petroleum Sales Co., Limited indirectly held by Yangchang Petroleum International Limited under the share charge deed pursuant to which Yangchang Petroleum International Limited agreed to provide a guarantee in favour of Yangchang Petroleum Group (Hong Kong) Co., Limited that Yangchang Petroleum International Limited shall procure on the best effort basis the carrying valuation of Henan Yanchang Petroleum Sales Co., Limited will be not less than US$31,430,000. 70% of US$31,430,000 equals to US$22,001,000, which exceeds the principal amount of the loan of US$22 million.

5. As Vigour Fine Company Limited is the controlling shareholder of Min Xin Holdings Limited, the shareholder's facility constitutes a continuing connected transaction of Min Xin Holdings Limited under the Listing Rules.

   Min Xin Holdings Limited is an investment holding company mainly engaged in the insurance business. Along with its subsidiaries, such group operates its business through five segments. The Insurance segment is involved in the general insurance business in Hong Kong and Macau. The Strategic Investment segment is involved in the holding of Huaneng A-Shares. The Financial Services segment is involved in the provision of micro credit business in Mainland China and the engagement of banking business through its associates in Mainland China, Hong Kong and Macau. The Property Development and Investment segment is involved in real estate development business and the leasing of office space in Mainland China. The Others segment engages in the operations not directly identified under other reportable segments and corporate activities.

No security is provided by the borrower.

Although there are only 5 Loan Comparables, they are connected transactions having a common feature of lending to or borrowing from connected persons, and 3 out 5 transactions are subject to independent shareholders' approval requirement under the Listing Rules. As to the principal amount of loan facilities, we are of the view that the size of the loan is not a key determinate factor relative to the terms of the loan so long as there is sufficient underlying security. This is demonstrated by the fact that among the Loan Comparables, we noted that (i) 2 out of 5 transactions have security comparable to the principal amount of the loan provided by the borrower to the lender; (ii) the size of these secured loans are comparable to the other unsecured loans; and (iii) the interest rates of these secured loans were lower than the unsecured loans. Although the principal amount of each of the Loan Comparables are smaller in size than HK$857 million, the purposes of the Loan Comparables are to compare the interest rates and the duration of the loan facilities with the recent market practice regarding financial assistance involving companies listed on the Stock Exchange and their connected persons. In view of the above, we consider the Loan Comparables are sufficient and provide a fair and representative base for us to analyse the fairness and reasonableness of the terms of the Loan Facilities.

From our aforementioned research, we noted that 2 out of 5 Loan Comparables have a floating interest rate mechanism during the Review Period. In view of the local banks' interest rate trend and the US Federal Reserve has started to cut rate of 50 basis points in September 2024 and announced a second interest rate cut of 25 basis points in November 2024[4], the floating interest rate mechanism will more accurately reflect the cost of funding under the current money market condition. For illustration, based on the 1-month HIBOR of 4.37155% per annum (with reference to the 1-month HIBOR quoted by the Hong Kong Association of Banks on 12 October 2024, the commencement date of calculating interest as set out in of the 2024 Facilities Agreement), the interest rate would be 6.32155% per annum under the 2024 Facilities Agreement, which is within the abovementioned range of the Loan Comparables.

Taking into account the above, we are of the view that the revised interest rate is comparable to the funding costs of the Regal Group (i.e. approximately 6.2% on an annualised basis with reference to the information for the third quarter of 2024) and fair and reasonable and the floating interest rate mechanism under the Second Supplemental Agreement is fair and reasonable.

[4] The US Federal Reserve meetings held in September 2024 and November 2024 respectively.

4.2 Repayment term

All outstanding amounts of the Loan Facilities shall be repaid on 12 October 2027.

Taking into account the following factors:

(i) the latest property market environment with reference to the market statistics mentioned above;

(ii) the central government has launched various measures to stabilise the property market as mentioned above;

(iii) the pros and cons and the feasibility for the Regal Group not to extend the maturity date of the Loan Facilities but to demand for repayment of the Loan Facilities in full by the maturity date and enforce the Security as mentioned above, in particular, even after taking over of the Projects by the Regal Group, the Regal Group will also need to dispose of the Projects to repay the Loan Facilities; and given the existing sluggish property market condition in the PRC, there is no certainty that the Regal Group can effectuate the disposals within a shorter time and at a better price than the Cosmopolitan Group as planned;

(iv) the existing development and sales plan of the Projects of the Cosmopolitan Group which we have obtained and reviewed, in particular, we noted that the sales of the remaining component parts of the Projects have been paced over the three years from 2025 to 2027 with the majority of the sales of the remaining component parts of the Projects expected to be generated in 2026,

we have reviewed the latest development and sales plan of the Projects of the Cosmopolitan Group over the three years (2025 to 2027) in terms of the timeline of the proposed sale. It is noted that the Cosmopolitan Group anticipated that the remaining office properties and the remaining commercial properties of the Chengdu Project would be presold and sold from the end of 2024 and the first quarter of 2025 respectively on a gradual basis; and the presale and sale of the remaining office properties and the remaining commercial properties of the Tianjin Project would commence from the third quarter of 2025 and the first half of 2027, respectively. We have further reviewed the actual transacted prices of the Projects in 2024 provided by the Management and the actual transacted prices and gross floor area of 22 comparable projects (in terms of usage — office or commercial, which are located within the same districts of the Projects) in 2024 from an independent property consulting firm. Taking into account (i) the estimated selling prices of the remaining component parts of the Projects projected in the latest development and sales plan of the Projects of the Cosmopolitan Group are within the range of the actual transacted prices of the properties under the Projects in 2024 as well as the abovementioned 22 comparable projects; (ii) the estimated gross floor area of the remaining component parts of the Projects to be sold in the next three years and the actual transacted gross floor area of the abovementioned 22 comparable projects in 2024, which indicated that the market has demand for such type of properties and with reference to the anticipated gradual revival of the property market in the PRC after implementation of a series of supportive measures by the central government authorities, the Cosmopolitan Group will be able to sell the remaining component parts of the Projects over the next three years; and (iii) the timeline of the proposed sale of the remaining component parts of the Projects, we are of the view that the basis and assumptions adopted in the development and sales plan of the Projects of the Cosmopolitan Group are fair and reasonable for the Cosmopolitan Group to expect to sell the remaining properties of the Projects in the next three years and to generate sales proceeds in accordance with the disclosed timeline for the repayment of the Loan Facilities under the extended maturity date;

(v) the Loan Facilities had been extended once from 2021 to 2024 by the approval of the independent shareholders of Regal; and

(vi) the Cosmopolitan Group had paid interest for the Loan Facilities on time with no record of default of payment,

we are of the view that the repayment term of the Loan Facilities under the 2024 Facilities Agreement allows reasonable time for the Cosmopolitan Group to dispose its remaining commercial component parts under the Projects in an orderly manner is fair and reasonable.

4.3 Security

When assessing the credit risk regarding the Loan Facilities, we have reviewed the published financial information and the management accounts of Cosmopolitan. The Excel Crown Group, the Joyous Unity Group and the Grand Praise Group do not have any other substantial assets or liabilities apart from their interests in the Projects and the total shareholder loans of approximately HK$877.2 million due to Ample State and Fortune City under the Security. Based on the management accounts of the Cosmopolitan Group as at 30 June 2024, the total assets of the Projects amounted to approximately HK$3,288 million (mainly comprise of approximately HK$1,320 million properties under development and approximately HK$1,841 million properties held for sale), the total liabilities of the Projects amounted to approximately HK$855 million (mainly comprise of approximately HK$687 million current liabilities and approximately HK$168 million non-current liabilities) and the total net assets of the Projects (before deducting the aforementioned shareholder loans of approximately HK$877.2 million) amounted to approximately HK$2,433 million as at 30 June 2024, reflecting the implied carrying value of the Security as at 30 June 2024.

We noted that as set out in the Cosmopolitan 2024 Interim Report, the Cosmopolitan Group pledged the equity interest in a holding company of the Chengdu Project over two tranches of 3-year notes with an aggregate principal amount of US$60 million (equivalent to approximately HK$468 million). According to the Management, as far as they are aware, the Cosmopolitan Group has not pledged the Security for other loans except the two tranches of 3-year note. On a conservative basis, after excluding the equivalent principal sum of these tranches of secured notes from the total net assets of the Projects, the resultant sum amounted to approximately HK$1,965 million. As compared to the Loan Facilities of HK$857 million, the loan-to-value ratio was approximately 43.6% as at 30 June 2024. Notwithstanding that the underlying property assets of the Security may not be as liquid as cash, we are of the view that (i) the value of the Security reasonably exceeds the Loan Facilities, (ii) it is the most valuable assets of the Cosmopolitan Group under its financial position, (iii) the extension of the Loan Facilities to 12 October 2027 will allow the Cosmopolitan Group reasonable time to dispose of its property assets in an orderly manner, (iv) the pros and cons and the feasibility for the Regal Group not to extend the maturity date of the Loan Facilities but to demand for repayment of the Loan Facilities in full by the maturity date and enforce the Security as mentioned above, and (v) the latest development and sales plan of the Projects of the Cosmopolitan Group aligns with the timing for the repayment of the Loan Facilities upon the extended maturity date, support the Security is sufficient to secure the Borrower's repayment obligation under the Loan Facilities, which is fair and reasonable, is on normal commercial terms and is in the interests of Regal and the Regal Shareholders as a whole.

4.4 Covenants

The 2024 Facilities Agreement includes covenants terms. For details, please refer to the section headed "SECOND SUPPLEMENTAL AGREEMENT" of the "Letter from the Regal Board" of the Circular.

As the Project Group (as defined in the "Letter from the Regal Board" of the Circular) is principally engaged in the development of the Chengdu Project and Tianjin Project, we are of the view that such covenants can assure the Regal Group that the Project Group focuses on the development of the two projects and is committed to repay the Loan Facilities with their sales proceeds. In addition, since the Loan Facilities are secured by 100% of the issued shares of Excel Crown, Joyous Unity and Grand Praise, which are part of the Project Group, the restriction on the issue or allotment of shares of the Project Group will ensure that the Regal Group's security interest in the Chengdu Project and Tianjin Project is kept intact (in case the Cosmopolitan Group defaults on the repayment of the Loan Facilities). Hence, we are of the view that the covenants under the Loan Facilities are fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole.

4.5 Waiver of default interest under the 2021 Facilities Agreement

Pursuant to the 2021 Facilities Agreement, the Loan Facilities shall be repaid on 12 October 2024. The default interest rate is the sum of the then applicable interest rate and 5% per annum. As disclosed in the "Letter from the Regal Board" of the Circular, the Lender agrees (a) not to take any action to demand repayment of the Loan Facilities pending convening of the general meetings to obtain the respective independent shareholders' approvals of Regal and Cosmopolitan; and (b) to waive any default interest which may be payable by the Borrower under the 2021 Facilities Agreement as a result of the non-repayment of the Loan Facilities on 12 October 2024. If, however, the Second Supplemental Agreement does not become unconditional on or before Long Stop Date (2024), the Loan Facilities shall become immediately payable on the first Business Day after the Long Stop Date (2024) and the default interest shall accrue on the outstanding principal amount of the Loan Facilities retrospectively from and including 12 October 2024.

Taking into account the abovementioned reasons for and benefits of the Transaction, in particular, (i) the current financial position of the Cosmopolitan Group, (ii) when entering into the Second Supplemental Agreement, the parties expected that the conditions precedent of obtaining approval from Regal Shareholders and shareholders of Cosmopolitan in accordance with the Listing Rules might not be fulfilled on or before the original due date (12 October 2024) as the compliance process takes time, and (iii) if the Second Supplemental Agreement does not become unconditional on or before Long Stop Date (2024), the Loan Facilities shall become immediately payable on the first Business Day after the Long Stop Date (2024) and the default interest shall accrue on the outstanding principal amount of the Loan Facilities retrospectively from and including 12 October 2024, we are of the view that the Lender agrees to, among other things, to waive any default interest which may be payable by the Borrower under the 2021 Facilities Agreement as a result of the non-repayment of the Loan Facilities on 12 October 2024 is a pragmatic approach and fair and reasonable.

4.6 Duration of the Second Supplemental Agreement

The Loan Facilities were first made available to Bizwise under the Original Facilities Agreement in August 2016. Subsequently in September 2021, certain terms of the Original Facilities Agreement were amended and extended to 12 October 2024 under the First Supplemental Agreement. Although the Regal Group has already provided the Loan Facilities for about 8 years, Regal Shareholders should note that the First Supplemental Agreement with an extended term of three years was approved by the then Regal Independent Shareholders at a special general meeting of Regal held in 2021.

Given that (i) 2 out of the 5 Loan Comparables set out in the paragraph headed "4.1 Interest rate" above have a term of three years; (ii) such three-year term will allow the Cosmopolitan Group reasonable time to dispose of its property assets in an orderly manner, which we concur with the Management that the property assets under the Projects will be sold in the next 3 years as described in item (iv) of the paragraph headed "4.2 Repayment term" above; and (iii) the Second Supplemental Agreement will be subject to the Regal Independent Shareholders' approval at the upcoming SGM, we are of the view that the Second Supplemental Agreement having a three-year term is appropriate, fair and reasonable.

4.7 Section summary

Having considered the above, we are of the view that the Transaction is on normal commercial terms, is fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole.

5. Potential financial effect of the Transaction

The Transaction is in effect an extension of the repayment term of the Loan Facilities from 12 October 2024 to 12 October 2027.

As at the Latest Practicable Date, the outstanding principal amount of the term loan and the revolving loan under the Loan Facilities was HK$357 million and HK$500 million respectively. There will be no further drawdown on the term loan facility under the Transaction. Any further drawdown on the revolving loan facility can only be made if and only if there were repayments of the revolving loan facility from time to time. In short, that means there must be a repayment before a drawdown can be made under the revolving loan facility for a same or smaller amount, which in effect at most is cash neutral. Therefore, the continual provision of the Loan Facilities is not expected to have any adverse impact on the cashflow position of the Regal Group. In addition, there will be no impact on the net asset value of the Regal Group, which had approximately HK$9,357.4 million net assets as at 30 June 2024. In addition, the Regal Group will continue to earn interest income on the Loan Facilities at an interest rate of 1-month HIBOR plus 1.95% per annum, which is approximately equivalent to the Regal Group's cost of funding.

RECOMMENDATION

Having considered the above, we are of the view that the Transaction is fair and reasonable, is on normal commercial terms and in the interests of Regal and the Regal Shareholders as a whole, although the continual provision of the Loan Facilities is not in the ordinary and usual course of business of the Regal Group.

Accordingly, we recommend the Regal Independent Shareholders, as well as the Regal Independent Board Committee to advise the Regal Independent Shareholders, to vote in favour of the resolution to be proposed at the SGM to approve the Transaction.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus Capital 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.*