
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 you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **Regal Hotels International Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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.



**MAJOR AND CONNECTED TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE**

**Regal Independent Financial Adviser to the Regal Independent Board Committee
and the Regal Independent Shareholders**

ALTUS CAPITAL LIMITED

A notice convening the special general meeting of Regal Hotels International Holdings Limited (“**Regal**”) to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 30 December 2024 at 11:30 a.m. (the “**SGM**”) is appended to this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Regal’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment or postponement thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or at any adjourned or postponed meeting should you so wish, and in the event that you attend such meeting(s) after return of the completed form of proxy, such form of proxy shall be deemed to be revoked.

10 December 2024

CONTENTS

	<i>Page</i>
CONTENTS	a
DEFINITIONS	i
LETTER FROM THE REGAL BOARD	1
LETTER FROM THE REGAL INDEPENDENT BOARD COMMITTEE	17
LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER	18
APPENDIX I — FINANCIAL INFORMATION	39
APPENDIX II — GENERAL INFORMATION	43
NOTICE OF SGM	53

DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:

“1-month HIBOR”	the Hong Kong interbank offered rate for Hong Kong dollars for 1 month displayed (before any correction, recalculation or republication by the administrator) on page HKABHIBOR of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate) or on the appropriate page of such other information service which publishes that rate as selected by the Lender from time to time in its reasonable discretion
“2021 Facilities Agreement”	the Original Facilities Agreement as amended and supplemented by the First Supplemental Agreement
“2024 Facilities Agreement”	the 2021 Facilities Agreement as amended and supplemented by the Second Supplemental Agreement
“Ample State”	Ample State Investments Limited, a wholly-owned subsidiary of Cosmopolitan and the intermediate holding company of the Chengdu Project
“associate(s)”	as defined in the Listing Rules
“Bizwise” or “Borrower”	Bizwise Investments Limited, a wholly-owned subsidiary of Cosmopolitan
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong
“Bye-Laws”	the bye-laws of Regal as supplemented or amended or substituted from time to time
“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 355)
“Chengdu Project”	the mixed use development project located in Xindu District, Chengdu City, Sichuan Province, the PRC consisting of hotel, commercial, office and residential components
“close associate(s)”	as defined in the Listing Rules
“connected person(s)”	as defined in the Listing Rules

DEFINITIONS

“Cosmopolitan”	Cosmopolitan International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 120)
“Cosmopolitan Group”	Cosmopolitan and its subsidiaries
“Excel Crown”	Excel Crown Investments Limited, a wholly-owned subsidiary of Ample State
“Excel Crown Group”	Excel Crown and its subsidiaries
“First Supplemental Agreement”	the supplemental agreement dated 21 September 2021 entered into among Long Profits, Cosmopolitan and Bizwise in relation to the amendments of certain terms of the Original Facilities Agreement
“Fortune City”	Fortune City International Investments Limited, a wholly-owned subsidiary of Cosmopolitan and the intermediate holding company of the Tianjin Project
“Grand Praise”	Grand Praise Investments Limited, a wholly-owned subsidiary of Fortune City
“Grand Praise Group”	Grand Praise and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Announcements”	the announcements dated 3 September 2024 and 6 November 2024 respectively jointly published by Regal and Cosmopolitan in relation to the Second Supplemental Agreement and the extension of the Long Stop Date (2024)
“Joyous Unity”	Joyous Unity Investments Limited, a wholly-owned subsidiary of Ample State
“Joyous Unity Group”	Joyous Unity and its subsidiaries
“Latest Practicable Date”	4 December 2024, being the latest practicable date for ascertaining certain information in this circular before the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Loan Facilities”	the term loan and revolving loan facilities of an aggregate amount of HK\$857 million granted by Long Profits to Bizwise under the 2024 Facilities Agreement
“Long Profits” or “Lender”	Long Profits Investments Limited, a wholly-owned subsidiary of Regal
“Long Stop Date (2024)”	initially 30 November 2024 (or such other date as the parties may agree in writing), and was subsequently extended to 31 December 2024 (or such other date as the parties may further agree in writing)
“Original Facilities Agreement”	the facilities agreement dated 4 August 2016 entered into among Long Profits, Cosmopolitan and Bizwise in relation to the provision of the term loan and revolving loan facilities of an aggregate amount of HK\$1,850 million
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular
“Project Group”	Ample State and Fortune City and their respective subsidiaries
“Projects”	the Chengdu Project and the Tianjin Project
“P&R”	P&R Holdings Limited, a joint venture established and owned by Capital Merit Investments Limited (a wholly-owned subsidiary of Paliburg) and Regal Hotels Investments Limited (a wholly-owned subsidiary of Regal) as to 50% and 50% respectively
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“Regal Board”	the board of directors of Regal
“Regal Director(s)”	the director(s) of Regal

DEFINITIONS

“Regal Group”	Regal and its subsidiaries
“Regal Independent Board Committee”	the independent board committee of the Regal Board, comprising Professor Japhet Sebastian LAW (being an independent non-executive Regal Director), established to advise the Regal Independent Shareholders on the terms of the Second Supplemental Agreement and the Transaction
“Regal Independent Financial Adviser”	Altus Capital Limited, a corporation 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, being the independent financial adviser appointed to advise the Regal Independent Board Committee and the Regal Independent Shareholders in respect of the terms of the Second Supplemental Agreement and the Transaction
“Regal Independent Shareholders”	Regal Shareholders other than Mr. LO Yuk Sui, Ms. LO Po Man, Century City, Paliburg and their respective associates
“Regal REIT”	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), the issued units of which are listed on the Main Board of the Stock Exchange (Stock Code: 1881)
“Regal Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of Regal
“Regal Shareholder(s)”	holder(s) of Regal Share(s)
“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Agreement”	the second supplemental agreement dated 3 September 2024 entered into among Long Profits, Cosmopolitan and Bizwise in relation to the amendments of certain terms of the 2021 Facilities Agreement
“Security”	as defined in the section headed “SECOND SUPPLEMENTAL AGREEMENT” in the “Letter from the Regal Board” of this circular
“SFO”	the Securities and Futures Ordinance (Cap. 571 of Laws of Hong Kong)
“SGM”	the special general meeting of Regal to be convened and held to consider and, if thought fit, approve the Second Supplemental Agreement and the Transaction

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Project”	the mixed use development project located in Hedong District in Tianjin, the PRC consisting of commercial, office and residential components
“Transaction”	the transaction contemplated under the 2024 Facilities Agreement
“%”	per cent

LETTER FROM THE REGAL BOARD



Executive Directors:

Mr. LO Yuk Sui (*Chairman and Chief Executive Officer*)
Ms. LO Po Man (*Vice Chairman and Managing Director*)
Mr. Kelvin LEUNG So Po
Mr. Jimmy LO Chun To
Mr. Kenneth NG Kwai Kai
Mr. Allen WAN Tze Wai

Non-executive Directors:

Dr. Francis CHOI Chee Ming, GBS, JP (*Vice Chairman*)
Ms. Belinda YEUNG Bik Yiu, JP

Independent Non-executive Directors:

Ms. Alice KAN Lai Kuen
Professor Japhet Sebastian LAW
Ms. Winnie NG, JP
Mr. WONG Chi Keung

Registered office:

4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

*Head office and principal
place of business:*

11th Floor, 68 Yee Wo Street
Causeway Bay
Hong Kong

10 December 2024

To the Regal Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

Reference is made to (i) the joint announcement issued by Century City, Paliburg, Regal and Cosmopolitan on 4 August 2016; (ii) the circular issued by each of Regal and Cosmopolitan on 23 September 2016; (iii) the joint announcement issued by Regal and Cosmopolitan on 21 September 2021; (iv) the circular issued by each of Regal and Cosmopolitan on 11 November 2021; and (v) the Joint Announcements.

On 3 September 2024 (after trading hours), Long Profits (a wholly-owned subsidiary of Regal and as the lender), Cosmopolitan (as the guarantor) and Bizwise (a wholly-owned subsidiary of Cosmopolitan and as the borrower) entered into the Second Supplemental Agreement to amend certain terms of the 2021 Facilities Agreement, pursuant to which, among others, (i) commencing from 12

LETTER FROM THE REGAL BOARD

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); and (ii) the maturity date is to be extended to 12 October 2027 (originally 12 October 2024). Save as aforementioned, there are no other material changes to the terms and conditions of the 2021 Facilities Agreement.

On 6 November 2024 (after trading hours), Long Profits, Bizwise and Cosmopolitan have agreed in writing to extend the Long Stop Date (2024) from 30 November 2024 to 31 December 2024 (or such other date as the parties may further agree in writing).

The purposes of this circular are to provide the Regal Shareholders with, among others, (i) information in relation to the Second Supplemental Agreement and the Transaction; (ii) letter of advice from the Regal Independent Board Committee in relation to the Second Supplemental Agreement and the Transaction; (iii) letter of advice from the Regal Independent Financial Adviser to the Regal Independent Board Committee and the Regal Independent Shareholders in relation to the Second Supplemental Agreement and the Transaction; (iv) a notice of the SGM to consider and, if thought fit, to approve the ordinary resolution in relation to the Second Supplemental Agreement and the Transaction; and (v) other information in accordance with the requirements of the Listing Rules.

SECOND SUPPLEMENTAL AGREEMENT

By the Original Facilities Agreement dated 4 August 2016 among Long Profits (a wholly-owned subsidiary of Regal and as the lender), Cosmopolitan (as the guarantor) and Bizwise (a wholly-owned subsidiary of Cosmopolitan and as the borrower), Long Profits made available to Bizwise the loan facilities, being the term loan and the revolving loan facilities of an aggregate amount of HK\$1,850 million.

By the First Supplemental Agreement dated 21 September 2021 among Long Profits, Cosmopolitan and Bizwise, certain terms of the Original Facilities Agreement were amended, pursuant to which, 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.

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 others, (i) 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); and (ii) the maturity date is to be extended to 12 October 2027 (originally 12 October 2024). Save as aforementioned, there are no other material changes to the terms and conditions of the 2021 Facilities Agreement.

LETTER FROM THE REGAL BOARD

The salient terms and conditions of the 2024 Facilities Agreement are summarised as follows:

Lender:	Long Profits (a wholly-owned subsidiary of Regal)
Borrower:	Bizwise (a wholly-owned subsidiary of Cosmopolitan)
Guarantor:	Cosmopolitan
Loan Facilities amount:	(i) Term loan of HK\$357 million; and (ii) Revolving loan of an amount up to HK\$500 million.
Purposes:	<p>The revolving loan facility under the Loan Facilities may only be used as working capital of the Cosmopolitan Group.</p> <p>As at the Latest Practicable Date, the outstanding amount of the term loan and the revolving loan under the Loan Facilities were HK\$357 million and HK\$500 million respectively. There will be no further drawdown on the term loan facility under the Loan Facilities.</p>
Revised interest rate:	<p>1-month HIBOR plus 1.95% per annum commencing from (and including) 12 October 2024, which was determined after arm's length negotiation between the parties and with reference to the recent cost of funding to the Regal Group.</p> <p>Commencing from (and including) 12 October 2024, interest shall be calculated on a monthly basis with reference to the relevant revised interest rate (i.e. 1-month HIBOR plus 1.95% per annum) on the 12th day of each calendar month (or the immediately preceding Business Day if such day is not a Business Day), and is payable annually in arrears.</p>
Revised repayment date:	All outstanding amounts of the Loan Facilities shall be repaid on 12 October 2027.
Prepayment terms:	Prepayment of the Loan Facilities is permissible with 7-day written notice without penalty.
Cancellation and termination:	The Borrower has the right to cancel the Loan Facilities and terminate the 2024 Facilities Agreement provided that all outstanding amounts under the 2024 Facilities Agreement have been repaid.

LETTER FROM THE REGAL BOARD

Security:

The Borrower has procured the pledge of the following assets (the “**Security**”) in favour of the Lender under the 2021 Facilities Agreement, which will continue to be pledged under the 2024 Facilities Agreement:

- (i) 100% of the issued shares of Excel Crown (being the intermediate holding company of the residential part of the Chengdu Project) and 100% of the shareholder loan due by the Excel Crown Group to Ample State (a wholly-owned subsidiary of Cosmopolitan);
- (ii) 100% of the issued shares of Joyous Unity (being the intermediate holding company of the hotel, commercial and office parts of the Chengdu Project) and 100% of the shareholder loan due by the Joyous Unity Group to Ample State; and
- (iii) 100% of the issued shares of Grand Praise (being the intermediate holding company of the Tianjin Project) and 100% of the shareholder loan due by the Grand Praise Group to Fortune City (a wholly-owned subsidiary of Cosmopolitan).

Conditions precedent:

The transaction contemplated under the Second Supplemental Agreement is conditional upon:

- (i) Regal having obtained the approval of its independent shareholders on or before the Long Stop Date (2024);
- (ii) Cosmopolitan having obtained the approval of its independent shareholders on or before the Long Stop Date (2024); and
- (iii) the Lender having received all the documents listed in the Second Supplemental Agreement in agreed form or in form and substance satisfactory to the Lender.

None of the above conditions precedent may be waived. As at the Latest Practicable Date, condition precedent (iii) above has been satisfied.

LETTER FROM THE REGAL BOARD

Negative covenants:

For so long as any amount is outstanding under the 2024 Facilities Agreement (or any relevant security documents) or any commitments under the 2024 Facilities Agreement are in force, the Borrower undertakes to the Lender that it shall, and each of the Borrower and Cosmopolitan undertakes to the Lender that it shall procure that each other member of Project Group shall (save with the prior written consent of the Lender, or unless specified to the contrary or as permitted under the 2024 Facilities Agreement):

- (i) not create any further encumbrance on any of its assets other than those permitted under the 2024 Facilities Agreement (e.g. encumbrances created for securing indebtedness incurred for the development of the Projects and/or for repaying/prepaying the Loan Facilities) and not sell or otherwise dispose of any of its assets to persons on terms which would result in such assets being leased to or re-acquired by the Borrower or a member of the Project Group;
- (ii) not dispose of any of its assets other than in the ordinary course of business on arm's length basis for no less than fair market value, whereby any net proceeds from such disposal shall be applied to repay or prepay any amount owing under the Loan Facilities and/or as working capital of the Project Group;
- (iii) not enter into or permit to subsist any arrangement to sell or dispose of any of the debts, goods or contracts of the Borrower or any member of the Project Group which would have the commercial effect of factoring or discounting the underlying receivables or other income stream payable in respect of any such debts, goods or contracts;
- (iv) not make or grant or extend any credit in respect of financial indebtedness except for trade credit not exceeding 120 days on normal commercial terms in the ordinary course of trade or loans made to the Project Group;
- (v) not change the nature or scope of any of its businesses carried on at the date of the Original Facilities Agreement, or discontinue a material part of its business as a whole which would or is likely to have a material adverse effect;

LETTER FROM THE REGAL BOARD

- (vi) not acquire any business (or a substantial part of a business) or shares or invest in any business, securities or investment funds, or acquire any capital assets or otherwise incur capital expenditure, except in furtherance of the business of the Project Group as carried on at the date of the Original Facilities Agreement;
- (vii) not declare or pay any dividends or interest on any unpaid dividend or make any other distributions of capital or income to any of its members, and not pay any management, advisory or other fee (other than fees incurred or payable in its ordinary course of business on arm's length basis) to any company or person;
- (viii) not vary, and procure that no amendment or termination shall be made to, the material terms of any of its constitutional documents, unless in the reasonable opinion of the Lender such amendment does not have a material adverse effect;
- (ix) not enter into any transaction or agreement which is material with any person other than on arm's length basis and for fair market value in the ordinary course of business or as otherwise permitted by the 2024 Facilities Agreement;
- (x) not issue or allot any share or loan capital to any person; and
- (xi) not subordinate, postpone, defer, assign or otherwise transfer or waive any indebtedness owed or owing to it by any companies which is not a member of the Project Group.

LETTER FROM THE REGAL BOARD

Positive covenants:

Each of the Borrower and Cosmopolitan undertakes, for so long as any amount is outstanding under the 2024 Facilities Agreement (or any relevant security documents) or any commitments under the 2024 Facilities Agreement are in force, to the Lender that it shall and shall procure that each other member of the Project Group shall (except with Lender's prior written consent or unless specified to the contrary):

- (i) promptly obtain and renew the terms of any authorisation and licences of any Hong Kong government authority and any other licences required to enable it to perform its obligations under, or for the validity or enforceability of the 2024 Facilities Agreement (or any relevant security documents) to which it is a party;
- (ii) protect, maintain, observe and comply with the regulations, rules, requests, etc. of any Hong Kong government authority which are material and necessary and all material commercial contracts to which it is a party and procure that all material conditions attaching to such contracts are complied with and that its businesses are carried on within the terms and conditions of such contracts;
- (iii) ensure that its liabilities under the 2024 Facilities Agreement (or any relevant security documents) to which it is a party will constitute its direct and unconditional obligations ranking at least pari passu to all its other present and future, actual or contingent, obligations (except for obligations entitled to priority by operation of law or by reason of a permitted encumbrance);
- (iv) maintain at all times such policies of insurance in relation to its businesses and assets against such risks as are required to be insured against under the applicable laws and/or normally insured by prudent companies carrying on similar business and, in relation to all such insurance policies, upon the Lender's request, deliver to the Lender certified copies of all such insurance policies and the receipt of the last premium payable thereunder;

LETTER FROM THE REGAL BOARD

- (v) comply with the terms of all such insurance policies, including any stipulations or restrictions as to use or operation of any asset, and not do or permit anything which may make any insurance policy void or voidable;
- (vi) pay all premium relating to such insurance policies when due;
- (vii) if any default shall at any time be made in effecting or maintaining such insurance or depositing any policy with the Lender, the Lender may, after notifying the Borrower, take out or renew such insurances in such similar sums as the Lender may think expedient and insurance premiums paid by the Lender shall be recoverable by the Lender from the Borrower;
- (viii) maintain its corporate existence and comply in all respects with all laws and regulations to which it is subject, save where failure to so comply would not have a material adverse effect; and
- (ix) pay all taxes due and payable by it within applicable time limits.

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. 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.

Save and except for the Loan Facilities, the Regal Group has not provided any financial assistance to the Cosmopolitan Group within 12 months immediately prior to the date of the Second Supplemental Agreement.

LETTER FROM THE REGAL BOARD

FINANCIAL EFFECTS OF THE PROVISION OF THE LOAN FACILITIES

Assets and Liabilities

Upon the Second Supplemental Agreement becoming effective, the outstanding term loan of HK\$357 million and revolving loan of HK\$500 million under the Loan Facilities will be reclassified from current assets to non-current assets in the consolidated statement of financial position of Regal. The transaction contemplated under the Second Supplemental Agreement will have no impact on the net assets of the Regal Group.

Earnings

Under the terms of the 2024 Facilities Agreement, the Regal Group will earn an interest income at the revised interest rate of 1-month HIBOR plus 1.95% per annum calculated on a monthly basis on the outstanding balance under the Loan Facilities commencing from (and including) 12 October 2024.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND SUPPLEMENTAL AGREEMENT

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.

The Cosmopolitan Group is principally engaged in property development and investment, which are mainly focused in the PRC and other investments including financial assets investments, and is presently undertaking property development projects in Chengdu (i.e. the Chengdu Project) and Tianjin (i.e. the Tianjin Project) in the PRC.

Information on the Chengdu Project and the Tianjin Project

The following information on Chengdu Project and Tianjin Project were extracted from the interim report of Regal for the six months ended 30 June 2024.

The Chengdu Project

Located in the Xindu District in Chengdu, Sichuan Province, the PRC, the project is a mixed use development consisting of residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

All the residential units in the third stage have been sold in prior years. Total proceeds from the sales of the residential units amounted to approximately RMB2,048.3 million (HK\$2,243.1 million).

LETTER FROM THE REGAL BOARD

The sale of the shops with about 4,110 square metres (44,250 square feet) comprised in the third stage is in progress. A total of 4,002 square metres (43,078 square feet) of shops have been sold or contracted to be sold, for aggregate sale considerations of approximately RMB93.2 million (HK\$102.1 million). The sale of the 1,389 car parking spaces is continuing and 470 car parking spaces have been sold or contracted to be sold, for aggregate sales proceeds of approximately RMB51.2 million (HK\$56.1 million). Most of these sale transactions have already been completed and the revenues accounted for in prior financial years.

The interior construction works of the 325-room hotel have been completed and the completion certificate obtained in January 2024. The interior fitting-out works for the guestrooms and the podium based on the revised design scheme are being planned and the hotel is scheduled to open in phases after the completion of the respective fitting-out works.

The construction works of the remaining commercial components also within the third stage of the development, comprising a commercial complex of about 52,500 square metres (565,100 square feet) and five towers of office accommodations of about 86,000 square metres (925,700 square feet), are proceeding steadily. All the office towers, the commercial facilities as well as the six-storey shopping mall podium have been topped-off. The market repositioning works of the shopping mall and certain office towers are also in progress.

The presale programme for the units in one of the office towers, consisting of 434 units with a total of about 20,000 square metres (215,200 square feet), commenced in 2021. 297 office units with a total of about 13,241 square metres (142,526 square feet) have been sold under contracts or subscribed by prospective purchasers, for an aggregate sale consideration of RMB113.9 million (HK\$124.7 million). Meanwhile, the presale of another office tower has been approved, but the timing for the launching of the presale programme will depend on the property market environment in Chengdu.

The sale of the shops of about 2,650 square metres (28,550 square feet) comprised in the commercial portion of the office tower on sale has also commenced in 2022. A total of 5 shop units of about 274 square metres (2,949 square feet) have been contracted for sale, for aggregate sale considerations of approximately RMB8.1 million (HK\$8.9 million).

Overall, due to the slackened demand, the progress achieved so far on the sale of these office and shop units was relatively slow.

The Tianjin Project

Located in the Hedong District in Tianjin, the PRC, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

LETTER FROM THE REGAL BOARD

Apart from the few units the sale transactions for which were scheduled for completion in 2024, all the other residential units in this development have also been sold in prior years. The programme for the sale of shops with a total area of about 19,000 square metres (205,000 square feet) in the commercial complex was ongoing. During the six months ended 30 June 2024, shops with a total area of 9,744 square metres (104,884 square feet) have been sold for aggregate sale considerations of approximately RMB185.4 million (HK\$200.6 million). Certain parts of the commercial complex have been leased out for rental income.

The remaining components in this development, which have all been completed, mainly consist of two office towers atop of a four-storey podium. The Cosmopolitan Group is closely monitoring the market environment in Tianjin in formulating an appropriate marketing plan for the disposal of the units in the office towers.

Provision of the Loan Facilities

In August 2016, Long Profits, Cosmopolitan and Bizwise entered into the Original Facilities Agreement whereby Long Profits made available to Bizwise the 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 mentioned above, nearly all residential units of the Projects have been sold in prior years. The sale proceeds of such residential units and the presale and sale proceeds of certain commercial components of the Projects were applied to reduce the principal amount of the total loan facilities from HK\$1,850 million under the Original Facilities Agreement to HK\$857 million under the 2021 Facilities Agreement, pay the interest on the then outstanding loan facilities and re-invest in the development of the remaining commercial components of the Projects. When the First Supplemental Agreement was entered into in 2021, it was originally anticipated that the presale and sale proceeds to be generated from the remaining components of the Projects during then projected timeline would have been sufficient to repay the loan facilities under the 2021 Facilities Agreement. As the real estate market in Mainland China has remained rather sluggish during the past few years, the progress in the presale and sale of the remaining commercial components of the Projects has been slower than expected, which resulted in generating insufficient cash proceeds for repayment of the Loan Facilities upon the maturity date. In addition, the Cosmopolitan Group recorded a net loss of HK\$372.3 million for the year ended 31 December 2023 and a net loss of HK\$169.0 million for the six months ended 30 June 2024, respectively. As at 30 June 2024, the Cosmopolitan Group had total assets of approximately HK\$3,569.2 million (mainly comprising of approximately HK\$1,320.5 million properties under development, approximately HK\$1,841.6 million properties held for sale and approximately HK\$62.1 million total cash and bank balances) and total liabilities of approximately HK\$2,589.1 million (including the principal amount outstanding under the Loan Facilities). In light of the large scale of refinancing, 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

LETTER FROM THE REGAL BOARD

conditions, it would be impracticable for the Cosmopolitan Group to obtain external refinancing for the repayment of the Loan Facilities in full. Accordingly, the Cosmopolitan Group itself did not have sufficient liquid funds to repay the outstanding Loan Facilities by 12 October 2024. The Borrower therefore entered into the Second Supplemental Agreement to seek for extension of the maturity date.

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. It is expected that when the property market in Mainland China gradually revives, the remaining component comprised in the Projects should be able to generate substantial sales proceeds.

Based on the current development and sales plan of the Projects, 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. It is estimated that the net cash proceeds from disposals of the aforementioned components of the Projects will be generated over the three years from 2025 to 2027, with the majority of such net cash proceeds expected to be generated in 2026. The 2024 Facilities Agreement will allow the Cosmopolitan Group reasonable time to sell the property assets under the Projects in an orderly manner, and 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. 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 property assets under the Projects by the Cosmopolitan Group. Accordingly, the entering into of the Second Supplemental Agreement is a pragmatic and reasonable approach under the current circumstances.

The Second Supplemental Agreement will also allow the Regal Group to continue to earn interest on the Loan Facilities. The interest rate of 5.0% per annum under the 2021 Facilities Agreement was determined with reference to the then cost of funding of the Regal Group. The Borrower has punctually paid the interests under the 2021 Facilities Agreement on the relevant payment due dates. Subsequent to the repayment in full of the medium term notes of the Regal Group with a fixed interest rate in 2021, the cost of funding of the Regal Group shifted to be primarily based on a floating interest rate mechanism. In 2023 and the first half of 2024, the cost of funding of Regal Group approximated 1-month HIBOR plus 1.95% per annum, equivalent to approximately 6.3% per annum in 2023 and approximately 6.5% per annum in the first half of 2024. Following the recent decrease in 1-month HIBOR, the cost of funding of the Regal Group for the third quarter of 2024 has decreased to approximately 6.2% per annum. For illustration purposes, the average 1-month HIBOR in the third quarter of 2024 was approximately 4.2% per annum and the revised interest rate under the Loan

LETTER FROM THE REGAL BOARD

Facilities as calculated with reference to such average rate would amount to approximately 6.2% per annum for the third quarter of 2024. The change of the interest rate from a fixed rate to a floating rate, which tracks the approximate cost of funding of Regal Group, would better offset the funding costs of Regal Group.

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) by way of first-priority share charge. 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. As at 30 June 2024, according to the management accounts of the Cosmopolitan Group, the total net assets of the Chengdu Project and the Tianjin Project before deducting the aforementioned shareholder loans of approximately HK\$877.2 million amounted to approximately HK\$2,433.4 million. After excluding certain pledges created by the Cosmopolitan Group over the equity interest in an intermediate holding company of Chengdu Project in respect of the two tranches of loan notes of Cosmopolitan Group in the total principal amount of approximately HK\$468 million, the loan-to-value ratio of the Loan Facilities was approximately 43.6% as at 30 June 2024. According to the Cosmopolitan Group, as at the Latest Practicable Date, the Cosmopolitan Group has not pledged other assets in respect of the Projects apart from (i) those pledged under the 2024 Facilities Agreement; and (ii) the equity interest in an intermediate holding company of Chengdu Project pledged in respect of the two tranches of loan notes of Cosmopolitan Group in the total principal amount of approximately HK\$468 million. The Regal Group has also taken into consideration that the Cosmopolitan Group has also pledged certain cash and financial assets in favour of a commercial bank for a banking facility. As the value of the Security reasonably exceeded the Loan Facilities, the Regal Group considered that the Security is sufficient.

The Regal Group has performed credit risk assessment in respect of the Loan Facilities by reviewing the carrying value of the remaining properties of the Projects, the development and sales plan of the Projects, the cashflow projection of the Cosmopolitan Group, the value of the Security and certain pledged cash and financial assets of the Cosmopolitan Group as described above. According to the Cosmopolitan Group, the development and sales plan for the remaining commercial components of the Projects are formulated based on the present property market in Mainland China and implementation of a series of supportive policies and measures by the central government authorities. The Cosmopolitan Group also estimated the projected presale and sale prices and sale areas of the aforesaid remaining properties of the Projects by reference to recent transaction prices and sale areas of comparable property units which situate in the same region of the Projects as well as the anticipated gradual revival of the property market in the PRC after implementation of a series of supportive measures by the central government authorities. Taking into account the projected net cash proceeds from disposals of the remaining commercial components of the Projects to be generated over the three years from 2025 to 2027 with the majority of such net cash proceeds expected to be generated in 2026, which will align the timing for the repayment of the Loan Facilities upon the extended maturity date, and that the value of the Security reasonably in excess of the Loan Facilities, the Regal Directors consider that the extension of the maturity date of the Loan Facilities for a period of 3 years is reasonable.

LETTER FROM THE REGAL BOARD

Pursuant to the 2021 Facilities Agreement, the Borrower shall pay default interest on any amount owed by it when due thereunder, from the due date until it is paid. The maturity date would be extended from 12 October 2024 to 12 October 2027 upon the Second Supplemental Agreement becoming unconditional. 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. Accordingly, the parties agreed to waive the default interest provided that the Second Supplemental Agreement has become unconditional by the Long Stop Date (2024), and Regal considered that it was fair and reasonable that default interest should not be charged as the consensus to extend the due date was made before the original due date. 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. For illustration purposes, the amount of default interest from 12 October 2024 up to the Latest Practicable Date would amount to approximately HK\$12.4 million.

Should a default occur under the terms of the 2024 Facilities Agreement, the Lender shall be entitled to enforce the Security and/or demand immediate repayment by Cosmopolitan (as the guarantor). The Lender will be entitled to take over the Projects through the enforcement process. The Lender is also entitled to request the debtors of the pledged shareholder loans to make payments thereunder to the Lender. On the other hand, the management of Regal Group understands that the Regal Group and the Cosmopolitan Group would enter into discussions for the acquisition of certain assets under the Projects for settlement of the Loan Facilities and reduction of the exposure thereof, implementation of which will be subject to relevant compliance requirements.

The Regal Directors (including the member of the Regal Independent Board Committee who has taken into consideration the advice of the Regal Independent Financial Adviser) consider that the terms of the Second Supplemental Agreement and the Transaction are fair and reasonable and in the interests of Regal and its shareholders as a whole.

Cosmopolitan is a listed subsidiary of Century City and Paliburg. Since (i) Mr. LO Yuk Sui, Ms. LO Po Man, Mr. Kelvin LEUNG So Po, Mr. Jimmy LO Chun To, Mr. Kenneth NG Kwai Kai and Mr. Allen WAN Tze Wai (all being executive Regal Directors) are executive directors of Century City, Paliburg and/or Cosmopolitan, (ii) Ms. Winnie NG and Mr. WONG Chi Keung (both being independent non-executive Regal Directors) are independent non-executive directors of Century City and Paliburg, and (iii) Ms. Alice KAN Lai Kuen (being an independent non-executive Regal Director) is an independent non-executive director of Cosmopolitan, all of the abovementioned Regal Directors have abstained from voting on the relevant board resolution relating to the Second Supplemental Agreement and the Transaction.

LETTER FROM THE REGAL BOARD

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 First Supplemental 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. The Borrower is a wholly-owned subsidiary of Cosmopolitan and therefore is a connected person of Regal. 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.

In accordance with the Listing Rules, any Regal Shareholder with a material interest in the 2024 Facilities Agreement must abstain from voting on the relevant resolution at the SGM. As at the Latest Practicable Date, (i) Mr. LO Yuk Sui and his spouse personally held a total of 284,900 Regal Shares; (ii) a wholly-owned subsidiary of Century City held 421,400 Regal Shares; (iii) certain wholly-owned subsidiaries of Paliburg held 622,433,861 Regal Shares; and (iv) Ms. LO Po Man (Mr. LO Yuk Sui's daughter) personally held 569,169 Regal Shares. Accordingly, the aforementioned Regal Shareholders, 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 Regal Shares in issue) as at the Latest Practicable Date, will abstain from voting at the SGM. Save as the aforesaid, as at the Latest Practicable Date, the Regal Directors are not aware of any other Regal Shareholders who are required to abstain from voting on the resolution in respect of the Second Supplemental Agreement and the Transaction to be put forward at the SGM.

Regal has established the Regal Independent Board Committee, comprising Professor Japhet Sebastian LAW (being an independent non-executive Regal Director) only, to advise the Regal Independent Shareholders in respect of the Second Supplemental Agreement and the Transaction. 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.

Regal has appointed Altus Capital Limited as the Regal Independent Financial Adviser to advise the Regal Independent Board Committee and the Regal Independent Shareholders respectively in this regard.

SGM

A notice convening the SGM at which ordinary resolution will be proposed to the Regal Independent Shareholders to consider and, if thought fit, approve the Second Supplemental Agreement and the Transaction, is contained on pages 53 to 54 of this circular.

LETTER FROM THE REGAL BOARD

In accordance with Rule 13.39(4) of the Listing Rules and the Bye-Laws, the voting of Regal Shareholders at the SGM will be taken by poll. The results of the poll will be published on the websites of Regal and the Stock Exchange.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM or any adjournment or postponement thereof (as the case may be) in person, please complete the form of proxy in accordance with the instructions printed thereon and return the same to Regal's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment or postponement thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjournment or postponement thereof should you so wish and in such event, such completed form of proxy shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS OF REGAL

In order to determine the entitlements of the Regal Shareholders to attend and vote at the SGM, the register of ordinary shareholders of Regal will be closed from Monday, 23 December 2024 to Monday, 30 December 2024, both days inclusive, during which period no transfer of Regal Shares will be registered.

The record date for determining the entitlements of the Regal Shareholders to attend and vote at the SGM will be Monday, 30 December 2024. To be eligible to attend and vote at the SGM, all transfers of Regal Shares accompanied by the relevant share certificates must be lodged with Regal's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on Friday, 20 December 2024.

RECOMMENDATION

The Regal Directors (including the independent non-executive Regal Director who is the member of the Regal Independent Board Committee whose view is set out in the section headed "Letter from the Regal Independent Board Committee" in this circular) consider that the terms of the Second Supplemental Agreement and the Transaction are on normal commercial terms, fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole and recommend the Regal Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the SGM to approve the Second Supplemental Agreement and the Transaction.

Yours faithfully,
For and on behalf of the board of
Regal Hotels International Holdings Limited
LO Yuk Sui
Chairman

LETTER FROM THE REGAL INDEPENDENT BOARD COMMITTEE



10 December 2024

To the Regal Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

I refer to the circular of Regal dated 10 December 2024 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

I have been appointed by the Regal Board as the sole member of the Regal Independent Board Committee to advise you on the terms of the Second Supplemental Agreement and the Transaction. Altus Capital Limited has been appointed as the Regal Independent Financial Adviser to advise you and me in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving their advice, are set out on pages 18 to 38 of the Circular. Your attention is also drawn to the letter from the Regal Board in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Second Supplemental Agreement and the Transaction and taking into account the independent advice of the Regal Independent Financial Adviser set out in its letter on pages 18 to 38 of the Circular and the relevant information contained in the letter from the Regal Board, I consider that despite the transaction contemplated under the Second Supplemental Agreement and the Transaction is not conducted in the ordinary and usual course of business of the Regal Group, the terms of the Second Supplemental Agreement and the Transaction are on normal commercial terms, fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole.

Accordingly, I, representing the Regal Independent Board Committee, recommend that you vote in favour of the ordinary resolution to be proposed at the SGM to approve the Second Supplemental Agreement and the Transaction.

Yours faithfully,
Regal Independent Board Committee
Japhet Sebastian LAW
Independent non-executive Regal Director

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited, the Regal Independent Financial Adviser to the Regal Independent Board Committee and the Regal Independent Shareholders in relation to the transaction contemplated under the 2024 Facilities Agreement, which has been prepared for the purpose of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

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.

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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.

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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	1H FY2023	FY2023	FY2022
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
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)

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

	30 June	As at 31 December	31 December
	2024	2023	2022
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
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.

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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.

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
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	31 December	31 December
	2024	2023	2022
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	3,569.2	3,987.6	4,000.5
- <i>Cash and bank balances and deposits</i>	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.

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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.

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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.

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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 Chengdu¹ and Tianjin² 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" mechanism³ 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.

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

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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;

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

- (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**”).

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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:

- 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.

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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 of 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 2024⁴, 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.

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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.

LETTER FROM THE REGAL INDEPENDENT FINANCIAL ADVISER

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.

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE REGAL GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023

The audited consolidated financial information of the Regal Group for each of the three years ended 31 December 2021, 2022 and 2023 is disclosed on pages 76 to 186 of the annual report of Regal for the year ended 31 December 2021, pages 73 to 182 of the annual report of Regal for the year ended 31 December 2022 and pages 74 to 182 of the annual report of Regal for the year ended 31 December 2023. The hyperlinks to the said annual reports are set out below:

Annual report for the year ended 31 December 2023:

www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042603885.pdf

Annual report for the year ended 31 December 2022:

www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702330.pdf

Annual report for the year ended 31 December 2021:

www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701845.pdf

2. UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE REGAL GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2024

The unaudited consolidated financial information of the Regal Group for the six months ended 30 June 2024 is disclosed on pages 22 to 54 of the interim report of Regal for the six months ended 30 June 2024. The hyperlink to the said interim report is set out below:

Interim report for the six months ended 30 June 2024:

www1.hkexnews.hk/listedco/listconews/sehk/2024/0926/2024092601624.pdf

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2024, being the latest practicable date for the purpose of this statement of indebtedness, the Regal Group had outstanding borrowings of approximately HK\$15,494.0 million which represented (i) bank loans of HK\$15,446.0 million secured by the Regal Group's properties held for sale and certain of the Regal Group's property, plant and equipment, investment properties, right-of-use assets, properties under development, time deposits and bank balances; (ii) other borrowing of HK\$35.0 million; and (iii) lease liabilities of HK\$13.0 million.

All of the above outstanding borrowings except lease liabilities of the Regal Group were guaranteed by Regal or certain of its subsidiaries.

As at the close of business on 31 October 2024, the Regal Group had contingent liabilities relating to the corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries of a joint venture of approximately HK\$1,987.5 million which were utilised to the extent of HK\$1,842.3 million, and an associate of a joint venture of approximately HK\$200.0 million which were utilised to the extent of HK\$194.8 million, respectively.

In addition, a corporate guarantee has been given to a bank by the Regal Group for a performance bond issued by the bank in relation to a property development project undertaken by the Regal Group amounting to HK\$15.0 million as at 31 October 2024.

Furthermore, as at 31 October 2024, the Regal Group has also procured a bank guarantee secured by bank deposits in connection with appealing a notice of stamp duty assessment in the amount of approximately HK\$93.0 million issued by the Inland Revenue Department of Hong Kong in relation to the sub-lease agreement entered into between the Airport Authority and the Regal Group.

Save as disclosed above and apart from intra-group liabilities, the Regal Group did not have, as at the close of business on 31 October 2024, any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any hire purchase commitments, or any guarantees or other contingent liabilities.

4. WORKING CAPITAL

As at the Latest Practicable Date, the Regal Directors, after due and careful enquiry, are of the opinion that, after taking into consideration of 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 publication of this circular in the absence of unforeseeable circumstances. Regal has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS

Hotel operation and management and hotel ownership

Due to the changes in the consumption patterns of the visitors from Mainland China, the impact of a relatively strong Hong Kong dollar as well as the shortage in the supply of service labour, the operating environment of the hospitality industry in Hong Kong during the six month ended 30 June 2024 has been competitive and challenging.

On the other hand, with the continuous support from the central government of the PRC, the Individual Visit Scheme (IVS) was expanded in March 2024 by adding Xi'an and Qingdao. In 2 months' time, the IVS was further extended in May 2024 to residents from eight other cities in the Mainland China, which now covers a total of 59 cities, including all provincial capitals in the PRC. In addition, effective from August 2024, the duty-free allowance for luggage articles brought into PRC from Hong Kong by visitors who are Mainland China residents has been increased from the previous level of RMB5,000 to RMB12,000. All these supportive initiatives will substantially benefit the tourist industry in Hong Kong by increasing the demands in the local hotel, retail and catering sectors.

Looking forward, one of the key goals of the Hong Kong Government in 2024 is to leverage on the convening of major events to reinforce Hong Kong's diversified tourism. It was announced that there would be over one hundred mega events to take place in Hong Kong in the second half of 2024, spanning a variety of theme areas, including conventions and exhibitions, finance and technology, cultural, arts, festivals and other related events. It is anticipated that these mega events will attract a large number of visitors to Hong Kong from this high-spending market segment, which will contribute significant economic value to the local economy.

In view of above, the Regal Group is confident that the hotel business of Regal Group will be able to contribute increasingly satisfactory revenues.

Asset management

The Regal Group's asset management engages in the provision of asset management services to its listed subsidiary, Regal REIT. The Hong Kong Government expects that the economy in Hong Kong will see further growth in the second half of 2024 and is maintaining a growth forecast in the range of 2.5% to 3.5% for the whole year. Since the United States Federal Reserve has initiated the process of interest rate cuts in September 2024, it is widely forecasted that reductions in the interest rates in the United States will continue during the remaining period of 2024. In any event, in order to hedge against any unexpected reversionary movements in the interest rates, Regal REIT has entered into several interest rate swap transactions in early February and July 2024 to swap the interest expenses on part of its outstanding bank loans from floating rates to fixed rates, as they can serve to reduce the financial expenses of Regal REIT in the near term.

Although Regal REIT has reported an adjusted loss for the six months period ended 30 June 2024, given the steady income stream generated by its hotel portfolio under the current leasing structure, the directors of the manager of Regal REIT are hopeful that, as the interest rates in Hong Kong return to normal levels, Regal REIT will be able to regain positive performance in its core operating results.

Property development and investment

The market rebound following the scrapping of the property cooling measures by the Hong Kong Government in late February 2024 was relatively short-lived. The high interest rates environment, the large amount of unsold inventories pending divesture by real estate developers and the growing weakness in market confidence continued to weigh on the property sector in Hong Kong, exerting pressure on both property prices and transaction volume, particularly in the secondary market. With respect to the property development business undertaken by Regal Group itself, the Regal Group is devising plans for the sale of the unsold residential and commercial units of The Queens at Queen's Road West, Hong Kong.

Financial assets investments

The Regal Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, private equities, bonds as well as treasury and yield enhancement products. Due to the weakness in the local stock market, the Regal Group's performance in this business segment has been adversely affected and recorded a net loss for the six months ended 30 June 2024.

Aircraft ownership and leasing

The significant increase in the segment results was due to the recognition of a gain on disposal of two aircraft in the first half of 2024. The remaining two aircraft engines owned by the Regal Group were also disposed of in September 2024.

Others

Revenue from others segment was mainly contributed by a wholly-owned subsidiary of Regal providing housekeeping and related services, a substantial portion of which was eliminated upon consolidation. Accordingly, the overall contribution from this segment was relatively minor.

Overall prospects

The Regal Directors believe in the resilience of Hong Kong's economy and that Hong Kong will be able to regain growth momentum when the level of interest rates starts to come down and the impacts of other unfavourable factors gradually subdued. In the meantime, the Regal Group is actively continuing with the planned disposal of some of its non-core assets, with a view to reinforcing its liquidity resources and financial strength in the second half of 2024.

1. RESPONSIBILITY OF THE REGAL DIRECTORS

This circular, for which the Regal Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Regal. The Regal 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. REGAL DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of the Regal Directors and chief executive of Regal in the shares, underlying shares and debentures of Regal and any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to Regal and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (“**Model Code**”) to be notified to Regal and the Stock Exchange, were as follows:

(a) Interest in Regal - Long Positions

Name of Directors	Class of shares held	Number of shares held			Total (Approximate percentage of total number of the issued share capital of Regal)
		Beneficial owner	Nature of interest		
			Interest of corporation controlled	Interest of spouse	
Mr. LO Yuk Sui	Ordinary (issued)	24,200	622,855,261 (<i>Note c</i>)	260,700	623,140,161 (69.33%)
Ms. LO Po Man	Ordinary (issued)	569,169	—	—	569,169 (0.06%)
Dr. Francis CHOI Chee Ming	Ordinary (issued)	50,240,000	—	—	50,240,000 (5.59%)
Mr. Kelvin LEUNG So Po	Ordinary (issued)	200	—	—	200 (0.000%)
Mr. Allen WAN Tze Wai	Ordinary (issued)	10,200	—	—	10,200 (0.001%)

(b) Interest in associated corporations of Regal - Long Positions**i. Century City**

Name of Directors	Class of shares held	Beneficial owner	Number of shares held		Total (Approximate percentage of total number of the issued share capital of Century City)
			Nature of interest	Interest of	
			Beneficial owner	Interest of spouse	
Mr. LO Yuk Sui	Ordinary (issued)	111,815,396	2,032,315,326 (<i>Note a</i>)	380,683	2,144,511,405 (69.34%)
Ms. LO Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.004%)
Mr. Kelvin LEUNG So Po	Ordinary (issued)	4,000	—	—	4,000 (0.000%)
Mr. Jimmy LO Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)
Mr. Allen WAN Tze Wai	Ordinary (issued)	24,000	—	—	24,000 (0.001%)
Ms. Belinda YEUNG Bik Yiu	Ordinary (issued)	200	—	—	200 (0.000%)

ii. Paliburg

Name of Directors	Class of shares held	Beneficial owner	Number of shares held		Total (Approximate percentage of total number of the issued share capital of Paliburg)
			Nature of interest	Interest of	
			Beneficial owner	Interest of spouse	
Mr. LO Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (<i>Note b</i>)	15,000	830,953,817 (74.55%)
Ms. LO Po Man	Ordinary (issued)	1,116,000	—	—	1,116,000 (0.10%)
Mr. Kelvin LEUNG So Po	Ordinary (issued)	50,185	—	—	50,185 (0.005%)
Mr. Jimmy LO Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)
Mr. Kenneth NG Kwai Kai	Ordinary (issued)	176,200	—	—	176,200 (0.02%)
Mr. Allen WAN Tze Wai	Ordinary (issued)	200	—	—	200 (0.000%)

iii. Cosmopolitan

Name of Directors	Class of shares held	Beneficial owner	Number of shares held		Total (Approximate percentage of total number of the issued share capital of Cosmopolitan)
			Nature of interest	Interest of	
			corporation controlled	Interest of spouse	
Mr. LO Yuk Sui	Ordinary				
	(i) (issued)	—	871,504,279 <i>(Note d)</i>	—	871,504,279
	(ii) (unissued)	—	1,591,775,147 <i>(Note e)</i>	—	1,591,775,147
				Total:	2,463,279,426 (198.71%)
	Preference (issued)	—	229,548,733 <i>(Note e)</i>	—	229,548,733 (99.99%)
Ms. LO Po Man	Ordinary (issued)	414,000	—	—	414,000 (0.03%)
Mr. Jimmy LO Chun To	Ordinary (issued)	680,730	—	—	680,730 (0.05%)

iv. Regal REIT

Name of Director	Class of shares held	Beneficial owner	Number of shares held		Total (Approximate percentage of total number of the issued share capital of Regal REIT)
			Nature of interest	Interest of	
			corporation controlled	Interest of spouse	
Mr. LO Yuk Sui	Units (issued)	—	2,443,033,102 <i>(Note f)</i>	—	2,443,033,102 (74.99%)

v. 8D International (BVI) Limited

Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of total number of the issued share capital of 8D International (BVI) Limited)
		Beneficial owner	Nature of interest Interest of corporation controlled	Interest of spouse	
Mr. LO Yuk Sui	Ordinary (issued)	—	1,000 (Note g)	—	1,000 (100%)

Notes:

- (a) (i) The interests in 1,973,420,928 issued ordinary shares of Century City were held through companies wholly owned by Mr. LO Yuk Sui (“Mr. Lo”).
- (ii) The interests in the other 58,894,398 issued ordinary shares of Century City were derivative interests held by YSL International Holdings Limited (“YSL Int’l”), a company wholly owned by Mr. Lo, under the right of first refusal to purchase such shares granted by the Dalton Group (comprising Dalton Investments LLC and its two affiliates).
- (b) The interests in 694,124,547 issued ordinary shares of Paliburg were held through companies wholly owned by Century City, in which Mr. Lo held 67.43% shareholding interests.

The interests in 16,271,685 issued ordinary shares of Paliburg were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of Paliburg were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

- (c) The interests in 421,400 issued ordinary shares of Regal were held through companies wholly owned by Century City, in which Mr. Lo held 67.43% shareholding interests. The interests in 622,433,861 issued ordinary shares of Regal were held through companies wholly owned by Paliburg, in which Century City held through its wholly owned subsidiary 62.28% shareholding interests. Paliburg held through its wholly owned subsidiary 69.25% shareholding interests in Regal.

- (d) The interests in 706,851,215 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R, which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries. The interests in the other 111,319,732 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of Regal. The interests in the other 53,333,332 issued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of Paliburg. Paliburg, in which Century City held through its wholly owned subsidiary 62.28% shareholding interests, held through its wholly owned subsidiary 69.25% shareholding interests in Regal. Mr. Lo held 67.43% shareholding interests in Century City.
- (e) The interests in 1,272,070,219 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of P&R, which is owned as to 50% each by Paliburg and Regal through their respective wholly owned subsidiaries. The interests in the other 213,038,264 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of Regal. The interests in the other 106,666,664 unissued ordinary shares of Cosmopolitan were held through wholly owned subsidiaries of Paliburg. Paliburg, in which Century City held through its wholly owned subsidiary 62.28% shareholding interests, held through its wholly owned subsidiary 69.25% shareholding interests in Regal. Mr. Lo held 67.43% shareholding interests in Century City.

The interests in 229,548,733 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 229,548,733 convertible preference shares of Cosmopolitan, convertible into new ordinary shares of Cosmopolitan on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,362,226,414 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2 per cent. convertible notes due 2053 in a principal amount of HK\$136,222,641.4 issued by Cosmopolitan. The convertible notes are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.10 per ordinary share (subject to adjustments in accordance with the terms of the convertible notes).

- (f) The interests in 2,439,613,739 issued units of Regal REIT were held through wholly owned subsidiaries of Regal. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of Paliburg. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of Century City. Paliburg, in which Century City held through its wholly owned subsidiary 62.28% shareholding interests, held through its wholly owned subsidiary 69.25% shareholding interests in Regal. Mr. Lo held 67.43% shareholding interests in Century City.
- (g) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 67.43% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed above, as at the Latest Practicable Date, none of the Regal Directors and chief executive of Regal had any interests or short positions in the shares, underlying shares or debentures of Regal or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to Regal and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to Regal and the Stock Exchange.

As at the Latest Practicable Date, the following Regal Directors were directors/employees of a company which had an interest in the Regal Shares and underlying Regal Shares which would fall to be disclosed to Regal under the provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. LO Yuk Sui is a director of YSL Int'l, which is interested in approximately 69.30% of the shareholding of Regal.
- (b) Mr. LO Yuk Sui, Ms. LO Po Man and Mr. Jimmy LO Chun To are directors of Grand Modern Investments Limited (being a wholly owned subsidiary of YSL Int'l), which is interested in approximately 69.30% of the shareholding of Regal.
- (c) Mr. LO Yuk Sui, Ms. LO Po Man, Mr. Kelvin LEUNG So Po, Mr. Jimmy LO Chun To, Mr. Kenneth NG Kwai Kai, Ms. Winnie NG and Mr. WONG Chi Keung are directors of (i) Century City, which is interested in approximately 69.30% of the shareholding of Regal, and (ii) Paliburg, which is interested in approximately 69.25% of the shareholding of Regal.
- (d) Mr. Allen WAN Tze Wai is a director of Century City, which is interested in approximately 69.30% of the shareholding of Regal.
- (e) Mr. LO Yuk Sui, Ms. 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 Century City and Paliburg which are (i) Century City BVI Holdings Limited, which is interested in approximately 69.30% of the shareholding of Regal, (ii) Paliburg Development BVI Holdings Limited, which is interested in approximately 69.25% of the shareholding of Regal, (iii) Guo Yui Investments Limited, which is interested in approximately 30.17% of the shareholding of Regal, (iv) Paliburg BVI Holdings Limited, which is interested in approximately 25.69% of the shareholding of Regal, (v) Taylor Investments Ltd., which is interested in approximately 17.16% of the shareholding of Regal, (vi) Glaser Holdings Limited, which is interested in approximately 6.53% of the shareholding of Regal and (vii) H.P. Nominees Limited, which is interested in approximately 6.17% of the shareholding of Regal.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Regal Directors confirmed that there has been no material adverse change in the financial or trading position of the Regal Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Regal Group were made up.

4. REGAL DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Regal Directors had any existing or proposed service contract with any member of the Regal Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. REGAL DIRECTORS' INTEREST IN THE REGAL GROUP'S ASSETS

As at the Latest Practicable Date, none of the Regal Directors had any direct or indirect interest in any assets which have been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Regal Group were made up), acquired or disposed of by or leased to any member of the Regal Group, or are proposed to be acquired or disposed of by or leased to any member of the Regal Group.

As at the Latest Practicable Date, none of the Regal Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Regal Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Regal Directors and his/her respective close associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Regal Group other than those businesses to which the Regal Directors and his/her close associates were appointed to represent the interests of Regal and/or the Regal Group.

7. LITIGATION

As at the Latest Practicable Date:

- (i) The owner of Regala Skycity Hotel, a wholly-owned subsidiary of Regal, is in the process of appealing a notice of stamp duty assessment in the amount of HK\$93.0 million issued by the Inland Revenue Department of Hong Kong in relation to the sub-lease agreement entered into between the Airport Authority of Hong Kong and the Regal Group. Based on the legal opinion obtained, the Regal Directors consider there is a reasonable chance of success in the appeal.
- (ii) The aforesaid subsidiary is also a defendant of a claim lodged by a contractor in relation to certain outstanding construction costs of Regala Skycity Hotel amounting to approximately HK\$38.0 million. The Regal Group has submitted the defence and a counterclaim at an amount well in excess of the amount being claimed by the plaintiff. Based on the legal advice obtained, the Regal Directors consider there is an arguable case with reasonable ground for such defence.

Save as disclosed above, as at the Latest Practicable Date, neither Regal nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim known to the Regal Directors to be pending or threatened against Regal or any of its subsidiaries which in the opinion of the Regal Directors would be or is likely to be of material importance.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given, or agreed to inclusion of, its opinion or advice in this circular:

Name	Qualification
Altus Capital Limited	a corporation 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

Altus Capital Limited, the Regal Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it is included. The letter from the Regal Independent Financial Adviser is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, the Regal Independent Financial Adviser did not have (i) any shareholding in any member of the Regal Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Regal Group and (ii) any direct or indirect interest in any assets which have, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Regal Group were made up), been acquired or disposed of by, or leased to any member of the Regal Group, or are proposed to be acquired or disposed of by, or leased to any member of the Regal Group.

9. MATERIAL CONTRACTS

In the two years immediately preceding the Latest Practicable Date, the following contract, not being contract entered into in the ordinary course of business, was entered into by the Regal Group which is or may be material:

- (a) the Second Supplemental Agreement.

Save for the above, there are no material contracts (not being a contract in the ordinary course of business) entered into by any members of the Regal Group within the two years preceding the Latest Practicable Date.

10. MISCELLANEOUS

- (a) The registered office of Regal is 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (b) The head office and principal place of business of Regal in Hong Kong is at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.
- (c) Regal's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) The secretary of Regal is Ms. Eliza LAM Sau Fun, an associate of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.
- (e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

11. DOCUMENTS ON DISPLAY

Electronic copies of the following documents are published on the website of the Stock Exchange (www.hkexnews.hk) and the website of Regal (www.regal.com.hk) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Second Supplemental Agreement;
- (b) the letter from the Regal Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from the Regal Independent Financial Adviser, the text of which is set out in this circular; and
- (d) the written consent from the Regal Independent Financial Adviser referred to in the section headed “QUALIFICATION AND CONSENT OF EXPERT” of this Appendix.

NOTICE OF SGM



NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Regal Hotels International Holdings Limited (the “**Company**”) will be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 30 December 2024, at 11:30 a.m., for the purposes of considering and, if thought fit, passing (with or without modification) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the entering into of the Second Supplemental Agreement (as defined in the circular to the shareholders of the Company dated 10 December 2024 (the “**Circular**”), of which this notice forms part), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose, the transactions contemplated thereunder and the execution of the Second Supplemental Agreement by Long Profits (as defined in the Circular) be and are hereby confirmed, approved, authorised and/or ratified in all respects; and
- (b) any director(s) of the Company be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company in accordance with the bye-laws of the Company to) any documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be necessary or incidental to, ancillary to or in connection with the Second Supplemental Agreement and the transactions contemplated thereunder and (to the extent permitted by the applicable law, regulations and rules, including the Listing Rules (as defined in the Circular)) to approve and/or make immaterial amendments and modifications (including extension or relaxation of time period or constraints) to the terms and conditions thereof as such director(s) may deem necessary and in the interests of the Company and its shareholders to do so.”

By Order of the board of directors of
Regal Hotels International Holdings Limited
Eliza LAM Sau Fun
Secretary

Hong Kong, 10 December 2024

NOTICE OF SGM

Notes:

1. Any member of the Company entitled to attend and vote at the SGM may appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and attend and vote on his behalf at the SGM. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same power on behalf of such member of the Company which he or they represent as such member of the Company could exercise.
2. In order to be valid, the instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
3. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the SGM or any adjournment thereof.
4. Delivery of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the SGM and in such event, the instrument appointing a proxy shall be deemed to have been revoked.
5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. At the SGM, the above resolution put to the vote of the members of the Company will be decided by way of poll.
7. In the event that a tropical cyclone signal no. 8 (or above), a black rainstorm warning or "extreme conditions" announced by the Government of Hong Kong is in effect on the day of the SGM, members of the Company are requested to call the Company's hotline at (852) 2894-7521 on that day to enquire about the arrangements of the SGM.