
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).

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MAJOR AND CONNECTED TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE

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 Tuesday, 30 November 2021 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 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 meeting should you so wish.

11 November 2021

PRECAUTIONARY MEASURES FOR THE SGM

Please refer to page i of this circular for preventive and control measures at the SGM to minimise the risk of the spread of the novel coronavirus (COVID-19):

- **no beverage, refreshment or corporate gifts**
- **compulsory body temperature check**
- **every attendee is required to wear an appropriate face mask**
- **appropriate settings will be arranged to meet the relevant regulatory requirements**

Regal reminds its shareholders that they may appoint the chairman of the SGM as a proxy to attend and vote at the SGM, instead of attending it in person.

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PRECAUTIONARY MEASURES FOR THE EGM

Regal will implement the following preventive and control measures at the SGM to minimise the risk of the spread of the novel coronavirus (COVID-19):

- (i) no beverage, refreshment or corporate gifts will be served or distributed before, during or after the SGM;
- (ii) compulsory body temperature check will be conducted for every attendee before entering the venue of the SGM, and any attendee with a body temperature higher than 37.3 degree Celsius will not be given access to the meeting venue;
- (iii) every attendee is required to wear an appropriate face mask at all times during their attendance of the SGM; and
- (iv) appropriate settings will be arranged at the venue of the SGM to meet the relevant regulatory requirements with respect to physical distancing. As a result, there will be limited capacity for the Regal Shareholders to attend the SGM.

Regal reminds the Regal Shareholders that they may appoint the chairman of the SGM as his/her/its proxy to attend and vote on the relevant resolution(s) at the SGM instead of attending the SGM in person. For such purpose, please complete and return the proxy form for the SGM accompanying this circular.

If any Regal Shareholder will not attend the SGM in person and has any questions about the resolution(s) to be considered at the SGM or other matters relating to Regal, the Regal Shareholder is welcome to send the questions in writing to Regal's head office and principal place of business in Hong Kong for the attention of the Company Secretary or to our email at cosec@centurycity.com.hk.

If any Regal Shareholder has any question relating to the SGM, please contact Computershare Hong Kong Investor Services Limited, Regal's branch share registrar in Hong Kong, as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Email: hkinfo@computershare.com.hk
Tel: 2862 8555
Fax: 2865 0990

DEFINITIONS

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

“Altus Capital”	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 on the Supplemental Agreement
“Ample State”	Ample State Investments Limited, a wholly-owned subsidiary of Cosmopolitan and the intermediate holding company of the Chengdu Project
“associate”	as defined in the Listing Rules
“Bizwise” or “Borrower”	Bizwise Investments Limited, a wholly-owned subsidiary of Cosmopolitan
“Business Day”	any day (other than Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“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, details of which are set out in the “Letter from the Regal Board” in this circular
“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
“Effective Date”	the date on which the last condition precedent in the Supplemental Agreement is satisfied
“Excel Crown”	Excel Crown Investments Limited, a wholly-owned subsidiary of Ample State
“Excel Crown Group”	Excel Crown and its subsidiaries

DEFINITIONS

“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 Announcement”	the announcement dated 21 September 2021 jointly published by Regal and Cosmopolitan in relation to the Supplemental Agreement
“Joyous Unity”	Joyous Unity Investments Limited, a wholly-owned subsidiary of Ample State
“Joyous Unity Group”	Joyous Unity and its subsidiaries
“Latest Practicable Date”	8 November 2021, 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
“Long Profits” or “Lender”	Long Profits Investments Limited, a wholly-owned subsidiary of Regal
“Long Stop Date (2021)”	30 November 2021 (or such other date as the parties may agree in writing)
“Original Facilities Agreement”	the facilities agreement dated 4 August 2016 entered into between Long Profits, Cosmopolitan and Bizwise in relation to the Original Loan Facilities
“Original Loan Facilities”	the term loan and revolving loan facilities of an aggregate amount of HK\$1,850 million granted by Long Profits to Bizwise under the Original Facilities Agreement
“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)

DEFINITIONS

“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
“Project Group”	as defined in the section headed “Supplemental Agreement” of “Letter from the Regal Board” in this circular
“Projects”	the Chengdu Project and the Tianjin Project
“P&R Group”	P&R Holdings and its subsidiaries
“P&R Holdings”	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 Directors”	the directors of Regal
“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 Supplemental Agreement
“Regal Independent Shareholders”	Regal Shareholders other than Mr. LO Yuk Sui, 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 Shareholders”	holders of Regal Shares
“Regal Share(s)”	ordinary share(s) of par value HK\$0.10 each in the capital of Regal

DEFINITIONS

“Revised Facilities Agreement”	the Original Facilities Agreement as amended and supplemented by the Supplemental Agreement
“Revised Loan Facilities”	the term loan and revolving loan facilities of an aggregate amount of HK\$857 million to be granted by Long Profits to Bizwise under the Revised Facilities Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Security”	as defined in the section headed “Supplemental Agreement” of “Letter from the Regal Board” in this circular
“SFO”	Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of Regal to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Tuesday, 30 November 2021 at 11:30 a.m. for the purpose of considering and, if thought fit, approving the Supplemental Agreement and the Transaction
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 21 September 2021 entered into between Long Profits, Cosmopolitan and Bizwise in relation to the amendments of certain terms of the Original Facilities Agreement
“Tianjin Project”	the mixed-use development project located in Hedong District in Tianjin, the PRC consisting of commercial, office and residential components, details of which are set out in the “Letter from the Regal Board” in this circular
“Transaction”	the transaction contemplated under the Supplemental Agreement

LETTER FROM THE REGAL BOARD



Executive Regal Director:

Mr. LO Yuk Sui (*Chairman and Chief Executive Officer*)
Miss LO Po Man (*Vice Chairman and Managing Director*)
Ms. Belinda YEUNG Bik You, JP (*Chief Operating Officer*)
Mr. Donald FAN Tung
Mr. Jimmy LO Chun To
Mr. Kenneth NG Kwai Kai
Mr. Allen WAN Tze Wai

Non-executive Regal Director:

Dr. Francis CHOI Chee Ming, GBS, JP (*Vice Chairman*)

Independent non-executive Regal 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

11 November 2021

To the Regal Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

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 Regal on 23 September 2016 and (iii) the Joint Announcement.

On 21 September 2021 (after trading hours), Long Profits (a wholly-owned subsidiary of Regal), Cosmopolitan and Bizwise (a wholly-owned subsidiary of Cosmopolitan) entered into the Supplemental Agreement to amend certain terms of the Original Facilities Agreement, pursuant to which the Revised Loan Facilities are proposed to be reduced to an aggregate amount of HK\$857 million, and the maturity date is proposed to be extended to 12 October 2024.

LETTER FROM THE REGAL BOARD

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

The Transaction constitutes a major and connected transaction for Regal under the Listing Rules and is subject to announcement, circular and independent shareholders' approval requirements under the Listing Rules. The SGM will be held to seek Regal Independent Shareholders' approval for the Supplemental Agreement and the Transaction.

The purpose of this circular is to provide you with, among others, (i) information in relation to the Supplemental Agreement; (ii) letter of advice from the Regal Independent Board Committee in relation to the Supplemental Agreement; (iii) letter of advice from Altus Capital to the Regal Independent Board Committee and the Regal Independent Shareholders in relation to the Supplemental Agreement; and (iv) a notice of the SGM to consider and, if thought fit, to approve the ordinary resolution in relation to the Supplemental Agreement and the Transaction.

SUPPLEMENTAL AGREEMENT

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

On 21 September 2021 (after trading hours), Long Profits, Cosmopolitan and Bizwise entered into the Supplemental Agreement to amend certain terms of the Original Facilities Agreement, pursuant to which the Revised Loan Facilities are proposed to be reduced to an aggregate amount of HK\$857 million, and the maturity date is proposed to be extended to 12 October 2024. The salient terms and conditions of the Revised Facilities Agreement are as follows:

Lender:	Long Profits (a wholly-owned subsidiary of Regal)
Borrower:	Bizwise (a wholly-owned subsidiary of Cosmopolitan)
Guarantor:	Cosmopolitan
Amount of Revised Loan Facilities:	(i) Term loan of HK\$357 million; and (ii) Revolving loan of an amount up to HK\$500 million.
Purposes:	The revolving loan facility under the Revised Loan Facilities may only be used as working capital of the Cosmopolitan Group.

LETTER FROM THE REGAL BOARD

As at the Latest Practicable Date, the outstanding principal amount of the term loan and the revolving loan under the Original Loan Facilities was HK\$357 million and approximately HK\$57 million respectively. There will be no further drawdown on the term loan facility under the Revised Loan Facilities.

- Interest rate: 5.0% per annum, which was determined after arm's length negotiation between the parties and with reference to the cost of funding to the Regal Group. Interest shall be payable annually in arrears.
- Repayment and prepayment terms: — All outstanding amounts of the Revised Loan Facilities shall be repaid on 12 October 2024.
- Prepayment of the Revised Loan Facilities is permissible with 7-day written notice without penalty.
- Cancellation and termination: Bizwise has the right to cancel the Revised Loan Facilities and terminate the Revised Facilities Agreement provided that all outstanding amounts under the Revised Facilities Agreement have been repaid.
- Security: The Borrower has procured the pledge of the following assets (the "**Security**") in favour of the Lender under the Original Facilities Agreement, which will continue to be pledged under the Revised 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).

LETTER FROM THE REGAL BOARD

Conditions precedent:

The transaction under the Supplemental Agreement is conditional upon, among other things, Regal and Cosmopolitan having obtained the approvals of their respective independent shareholders on or before the Long Stop Date (2021).

The revolving loan facility under the Revised Loan Facilities shall be available for drawdown from the Business Day following the Effective Date. There will be no further drawdown on the term loan facility under the Revised Loan Facilities.

Covenants:

For so long as any amount is outstanding under the Revised Facilities Agreement or any commitments under the Revised Facilities Agreement are in force, (save with the prior written consent of the Lender, or unless specified to the contrary or as permitted under the Revised Facilities Agreement) the Borrower, and each of Ample State and Fortune City and their respective subsidiaries (collectively the “**Project Group**”) shall (among other things):

- (i) ensure that its liabilities under the Revised Facilities Agreement and the Security 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 an encumbrance permitted under the Revised Facilities Agreement);
- (ii) not create any further encumbrance on any of its assets other than those permitted under the Revised Facilities Agreement (e.g. encumbrances created for securing indebtedness incurred for the development of the Projects and/or for repaying/prepaying the Revised Loan Facilities);
- (iii) 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 proceeds from such disposal shall be applied to repay or prepay any amount owing under the Revised Loan Facilities and/or as working capital of the Project Group;

LETTER FROM THE REGAL BOARD

- (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 and 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;
- (vi) not issue or allot any share or loan capital to any person; and
- (vii) 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.

Waiver of default interest under the Original Facilities Agreement:

Pursuant to the Original Facilities Agreement, the Original Loan Facilities shall be repaid on 12 October 2021. The Lender agrees (a) not to take any action to demand repayment of the Original 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 is payable by the Borrower under the Original Facilities Agreement as a result of the non-repayment of the Original Loan Facilities on 12 October 2021. If, however, the Supplemental Agreement does not become unconditional on or before Long Stop Date (2021), the default interest shall accrue on the outstanding principal amount of the Original Loan Facilities retrospectively from and including 12 October 2021.

Save and except the Original Loan Facilities, in the 12 months prior to the date of the Joint Announcement, the Regal Group has not provided any financial assistance to the Cosmopolitan Group.

LETTER FROM THE REGAL BOARD

REASONS FOR THE TRANSACTION

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 Holdings, 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 Chengdu Project

Located in the Xindu District in Chengdu, Sichuan Province, the Chengdu 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).

The superstructure and fitting-out works for the third stage of the development, consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces, are in steady progress and targeted to be completed before the end of 2021. Nearly all of the residential units in the third stage have been presold, at prices which are significantly higher than those attained in the first and second stages of the development. As disclosed in the interim results announcement of Cosmopolitan dated 24 August 2021, total sales proceeds amounted to approximately RMB2,031.3 million (about HK\$2,443.0 million), of which approximately RMB1,986.1 million (about HK\$2,388.7 million) have been received by the Cosmopolitan Group as deposits under the presale contracts. The residential units are planned to be delivered to the respective unit purchasers in stages beginning from the fourth quarter of 2021.

Presale of the shops in the third stage of about 2,350 square metres (25,300 square feet) has been launched in July 2020. As disclosed in the interim results announcement of Cosmopolitan dated 24 August 2021, a total of 1,853 square meters (19,900 square feet) of shops have been presold under contracts, at aggregate sale considerations of approximately RMB65.0 million (about HK\$78.2 million). Presale of 1,389 car parking spaces has also been launched in the third quarter of 2020. As disclosed in the interim results announcement of Cosmopolitan dated 24 August 2021, a total of 277 car parking spaces have been presold under contracts, for aggregate sales proceeds of approximately RMB31.8 million (about HK\$38.2 million).

The interior design works with a revised scheme for the 325-room hotel are progressing in full swing. The interior fitting-out works are scheduled to commence in the first quarter of 2022 and the hotel is anticipated to open in phases from the first quarter of 2023.

LETTER FROM THE REGAL BOARD

The construction works of the remaining commercial components within 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 in steady progress. The substructure and superstructure works are targeted to be completed in the fourth quarter of 2021 and mid-2023, respectively. The market repositioning works of the six-storey shopping mall are 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), has commenced in May 2021. As disclosed in the interim results announcement of Cosmopolitan dated 24 August 2021, a total of 88 units with a total of about 3,837 square meters (41,300 square feet) have been presold under contracts or subscribed by prospective purchasers for an aggregate sale consideration of RMB34.6 million (about HK\$41.6 million). The presale of the remaining four office towers consisting of 1,356 units with a total of about 66,000 square metres (710,500 square feet) will follow in phases with reference to the market environment.

The Regal Group and the Cosmopolitan Group have recently commenced preliminary discussion and consideration in respect of the possible acquisition by the Regal Group of the hotel property comprised in the Chengdu Project with a view to expanding its hotel network in the PRC. As at the Latest Practicable Date, no definitive terms have been determined and the parties will comply with the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules when the parties enter into definitive agreements in respect of such possible acquisition.

The Tianjin Project

Located in the Hedong District in Tianjin, the Tianjin 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).

Nearly all of the residential units have been sold. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing steadily and sale contracts have been secured for some of the shop units. Certain parts of the commercial complex have in the meantime been leased out for rental income.

The superstructure works of the two office towers and their commercial podium are progressing and planned to be completed in the fourth quarter of 2022. Presale of one office tower consisting of 137 units with a total of about 17,530 square metres (188,700 square feet) is planned to be launched in the second half of 2021. The presale of the other office tower, consisting of 247 units with a total of about 39,210 square metres (422,000 square feet), will be launched in phases thereafter. The market positioning works for the commercial podium are in progress.

Provision of the Revised Loan Facilities

In August 2016, Long Profits, Cosmopolitan and Bizwise entered into the Original Facilities Agreement whereby Long Profit 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.

LETTER FROM THE REGAL BOARD

As mentioned above, substantial sales proceeds have been secured from the contracted presales of residential units in the Chengdu Project. Further substantial sales proceeds are expected when the remaining component parts comprised in the two projects are sold. The Revised Loan Facilities will allow the Cosmopolitan Group to align the timing for the repayment of the Revised Loan Facilities with the latest presale progress, tentative completion schedule of the Chengdu Project and the Tianjin Project by 2023 as well as the expected timing of funding repatriation after clearance of the taxes payable in the PRC by the Project Group. The revolving loan facility under the Revised Loan Facilities in the amount of HK\$500 million will be 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 Revised Loan Facilities are finally repaid.

The Revised Loan Facilities will 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). The Regal Group will earn interest on the Revised Loan Facilities although it will tie up its funding in providing the Revised Loan Facilities to the Cosmopolitan Group.

The Regal Directors (including the member of the Regal Independent Board Committee who has taken into consideration the advice of Altus Capital) consider that the terms of 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, Miss LO Po Man, Mr. Jimmy LO Chun To, Mr Donald FAN Tung and Mr. Kenneth NG Kwai Kai (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 Supplemental Agreement and the Transaction.

FINANCIAL EFFECTS OF THE PROVISION OF THE REVISED LOAN FACILITIES

Assets and Liabilities

Upon the Supplemental Agreement becoming effective, the outstanding term loan of HK\$357 million under the Revised Loan Facilities will be reclassified from current assets to non-current assets in the consolidated statement of financial position of Regal while the outstanding balance of the revolving loan facility under the Revised Loan Facilities will continue to be included under current assets in the consolidated statement of financial position of Regal. Any further drawdown on the revolving loan facility under the Revised Loan Facilities is expected to be funded by Regal Group's internal financial resources but there will be no impact on the net assets value of the Regal Group.

Earnings

Under the terms of the Revised Facilities Agreement, the Regal Group will continue to earn an interest income at 5% per annum on the outstanding balance under the Revised Loan Facilities.

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. As the Supplemental Agreement constitutes a material change to the terms of the Original Facilities Agreement, re-compliance with the Listing Rules is necessary.

Paliburg is a controlling shareholder of Regal. Bizwise is an indirect non-wholly owned subsidiary and an associate of Paliburg and therefore is a connected person of Regal. Based on the applicable percentage ratios, the Transaction constitutes a major and connected transaction for Regal under the Listing Rules and is subject to announcement, circular and independent shareholders' approval requirements under the Listing Rules.

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) Miss LO Po Man (Mr. LO Yuk Sui's daughter), personally and through a company wholly owned by her, held 569,169 Regal Shares.

Mr. LO Yuk Sui, 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 Regal Shares in issue) as at the Latest Practicable Date, will abstain from voting at the SGM. Apart from Mr. LO Yuk Sui, 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.

Regal has established the Regal Independent Board Committee, comprising Professor Japhet Sebastian LAW (being an independent non-executive Regal Director), to advise Regal Independent Shareholders in respect of 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 have not joined the Regal Independent Board Committee.

Regal has appointed Altus Capital as the independent financial adviser to advise the Regal Independent Board Committee and the Regal Independent Shareholders respectively in this regard.

SPECIAL GENERAL MEETING

A notice convening the SGM at which an ordinary resolution will be proposed to the Regal Independent Shareholders to consider and, if thought fit, approve the Supplemental Agreement and the Transaction, is contained on pages 33 and 34 of this circular.

In accordance with Rule 13.39(4) of the Listing Rules and the bye-laws of Regal, 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.

LETTER FROM THE REGAL BOARD

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 Supplemental Agreement 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 Supplemental Agreement and the Transaction.

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



11 November 2021

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 11 November 2021 (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 Supplemental Agreement. Altus Capital has been appointed as the 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 12 to 23 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 Supplemental Agreement and taking into account the independent advice of Altus Capital set out in its letter on pages 12 to 23 of the Circular and the relevant information contained in the letter from the Regal Board, I consider that despite the transaction contemplated under the Supplemental Agreement is not conducted in the ordinary and usual course of business of the Regal Group, the terms of the Supplemental Agreement 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 Supplemental Agreement and the Transaction.

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

LETTER FROM ALTUS CAPITAL

The following is the text of a letter of advice from Altus Capital, the independent financial adviser to the Regal Independent Board Committee and the Regal Independent Shareholders in relation to the Transaction, which has been prepared for the purpose of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

11 November 2021

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 independent financial adviser to advise the Regal Independent Board Committee and the Regal Independent Shareholders in respect of the transaction contemplated under the Revised Facilities Agreement (the “**Transaction**”), details of which are set out in the “Letter from the Regal Board” contained in the circular of Regal dated 11 November 2021 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the joint announcement issued by Century City, Paliburg, Regal and Cosmopolitan on 4 August 2016 and the circular issued by Regal on 23 September 2016. By the Original Facilities Agreement dated 4 August 2016 between Long Profits (a wholly-owned subsidiary of Regal), Cosmopolitan and Bizwise (a wholly-owned subsidiary of Cosmopolitan), Long Profits made available to Bizwise the Original Loan Facilities of an aggregate amount of HK\$1,850 million, including a term loan amount of HK\$1,350 million and a revolving loan amount of HK\$500 million. As at the Latest Practicable Date, the term loan has been partially repaid with an outstanding amount of HK\$357 million and the outstanding amount of the revolving loan was approximately HK\$57 million.

LETTER FROM ALTUS CAPITAL

On 21 September 2021 (after trading hours), Long Profits, Cosmopolitan and Bizwise entered into the Supplemental Agreement to amend certain terms of the Original Facilities Agreement, pursuant to which the Revised Loan Facilities are proposed to be reduced to an aggregate amount of HK\$857 million, comprising a term loan of HK\$357 million and a revolving loan of HK\$500 million, and the maturity date to be extended to 12 October 2024. The other terms in the Original Facilities Agreement remain substantially unchanged. The salient terms and conditions of the Revised 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. As the Supplemental Agreement constitutes a material change to the terms of the Original Facilities Agreement, re-compliance with the Listing Rules is necessary.

Paliburg is a controlling shareholder of Regal. Bizwise is an indirect non-wholly owned subsidiary and an associate of Paliburg and therefore is a connected person of Regal. Based on the applicable percentage ratios, the Transaction constitutes a major and connected transaction for Regal under the Listing Rules and is subject to announcement, circular and independent shareholders’ approval requirements under the Listing Rules.

Mr. LO Yuk Sui is the controlling shareholder of Century City which is in turn a listed holding company of Paliburg. Mr. LO Yuk Sui, Century City and 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, Century City, Paliburg and their respective associates, as at the Latest Practicable Date, no other Regal Shareholders had a material interest in the Transaction, other than being a Regal Shareholder.

THE REGAL INDEPENDENT BOARD COMMITTEE

The Regal Independent Board Committee, comprising Professor Japhet Sebastian LAW (being an independent non-executive Regal Director), has been established to advise the Regal Independent Shareholders as to whether the provision of the Revised Loan Facilities 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 Cosmopolitan Director, they have not joined the Regal Independent Board Committee.

LETTER FROM ALTUS CAPITAL

THE INDEPENDENT FINANCIAL ADVISER

As the 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 Revised Loan Facilities as contemplated under the Supplemental Agreement are on normal commercial terms and fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole; (ii) whether the provision of the Revised Loan Facilities as contemplated under the Supplemental Agreement 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 independent financial adviser or 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 Supplemental Agreement; (iii) the annual report of Regal for the year ended 31 December 2020 (the “**Regal 2020 Annual Report**”); (iv) the interim report of Regal for the six months ended 30 June 2021 (the “**Regal 2021 Interim Report**”); (v) the annual report of Cosmopolitan for the year ended 31 December 2020 (the “**Cosmopolitan 2020 Annual Report**”); (vi) the interim report of Cosmopolitan for the six months ended 30 June 2021 (the “**Cosmopolitan 2021 Interim Report**”); (vii) the circular of Regal dated 23 September 2016; and (viii) other information set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Regal Group, the Regal Directors and the management of the Regal Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Regal Group contained or referred to in the Circular and/or provided to us by the Regal Group, the Regal Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the date of the Circular. The Regal Directors collectively and individually accept full responsibility, 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.

LETTER FROM ALTUS CAPITAL

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.

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 Holdings, 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 2019 (“FY2019”) and 31 December 2020 (“FY2020”) and the six months ended 30 June 2020 (“1H FY2020”) and 30 June 2021 (“1H FY2021”) extracted from the Regal 2020 Annual Report and the Regal 2021 Interim Report respectively.

	1H FY2021	1H FY2020	FY2020	FY2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	404,300	384,800	678,700	2,226,200
Profit/(Loss) for the period/year	(293,900)	(859,500)	(896,800)	459,600

	As at		
	30 June	31 December	31 December
	2021	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	32,037,600	32,459,300	32,702,000
- Cash and cash equivalents	2,753,600	2,337,800	1,433,100
Total liabilities	(17,337,900)	(17,303,200)	(17,246,200)
Net assets	14,699,700	15,156,100	15,455,800

Source: Regal 2020 Annual Report and Regal 2021 Interim Report

LETTER FROM ALTUS CAPITAL

FY2020 compared to FY2019

The Regal Group's revenue decreased by approximately 69.5% from approximately HK\$2,226.2 million in FY2019 to approximately HK\$678.7 million in FY2020. Such decrease was mainly due to the reduction in revenue from hotel operation and management and hotel ownership segment which contributed approximately 87.6% and 95.9% of the total revenue of the Regal Group for FY2019 and FY2020 respectively. The decrease in revenue from hotel operation and management and hotel ownership segment was mainly due to the stringent travel restrictions under the COVID-19 pandemic. The enforcement of the lockdown and stringent social distancing measures have not only severely affected the Regal Group's hotel room business but also the Regal Group's food and beverage businesses, which used to contribute an important portion of the Regal Group's overall hotel revenues.

The Regal Group incurred a net loss of approximately HK\$896.8 million in FY2020, while for the preceding year, a net profit of approximately HK\$459.6 million was attained. The loss was primarily attributable to the fair value losses on investment properties and impairment losses on other assets and the finance costs incurred. In addition, as the Regal Group's hotel properties in Hong Kong are all owned and self-operated by subsidiaries of Regal, they are subject to depreciation charges to conform to the applicable accounting standards. Total depreciation charges on the Regal Group's hotel portfolio in Hong Kong for FY2020 amounted to approximately HK\$483.1 million which, though essentially a non-cash item, had nevertheless impacted the Group's financial results.

As at 31 December 2020, net assets of the Regal Group remained relatively stable at approximately HK\$15.2 billion as compared with approximately HK\$15.5 billion as at 31 December 2019.

1H FY2021 compared to 1H FY2020

Revenue of the Regal Group for 1H FY2021 amounted to approximately HK\$404.3 million, which represented an increase of approximately 5.1% as compared to approximately HK\$384.8 million for the corresponding period in 2020. Notwithstanding that the Regal Group's business under the hotel operation and management and hotel ownership segment continued to be severely disrupted by the COVID-19 pandemic, the Regal Group has been able to secure improved results in its investment business segment in 1H FY2021, as compared with the corresponding period during the previous year, when the capital markets worldwide were gradually recovering.

The Regal Group's net loss substantially decreased from approximately HK\$859.5 million for 1H FY2020 to approximately HK\$293.9 million in 1H FY2021. This was mainly attributable to the notable improvements in the results of its investment business segment as mentioned above. In addition, most of the loss incurred by the Regal Group for 1H FY2021 could be attributed to the depreciation charges on the Regal Group's hotel portfolio in Hong Kong for the period, which amounted to approximately HK\$251.1 million.

As at 30 June 2021, net assets of the Regal Group slightly decreased to approximately HK\$14.7 billion, as compared with approximately HK\$15.2 billion as at 31 December 2020.

LETTER FROM ALTUS CAPITAL

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, and other investments.

The Regal Group has recently implemented a series of financing arrangements to consolidate and strengthen its financial position for the long term. The Regal Group is optimistic that, with the backing of its strong asset base and diversified business platform, it will be able to regain growth momentum soon after the impact of the pandemic subsides and is well placed to undertake new investments as and when appropriate opportunities arise.

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, financial assets investments and is presently undertaking the Chengdu Project and the Tianjin Project.

2.2 Financial information of the Cosmopolitan Group

Set out below is a table summarising the financial information of the Cosmopolitan Group for FY2019 and FY2020, and 1H FY2020 and 1H FY2021, as extracted from the Cosmopolitan 2020 Annual Report and the Cosmopolitan 2021 Interim Report respectively.

	1H FY2021	1H FY2020	FY2020	FY2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	61,000	33,100	69,600	119,600
Profit/(Loss) for the period/year	1,200	(79,000)	(123,500)	(170,300)

	As at		
	30 June	31 December	31 December
	2021	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	5,802,600	5,769,000	5,347,600
- Cash and cash equivalents	102,100	241,600	335,300
Total liabilities	(4,322,800)	(4,274,700)	(4,147,700)
Net assets	1,479,800	1,494,300	1,199,900

Source: Cosmopolitan 2020 Annual Report and Cosmopolitan 2021 Interim Report

LETTER FROM ALTUS CAPITAL

FY2020 compared to FY2019

The Cosmopolitan Group's revenue decreased by approximately 41.8% from approximately HK\$119.6 million in FY2019 to approximately HK\$69.6 million in FY2020. Such decrease was mainly attributed to the decrease in revenue from the property development and investment segment as a result of the decrease in proceeds from the sale of properties.

The Cosmopolitan Group's net loss decreased from approximately HK\$170.3 million for FY2019 to approximately HK\$123.5 million for FY2020. If the one-off gain on disposal of subsidiaries for FY2020 was excluded, the Cosmopolitan Group's net loss would have increased by approximately 13.0% from approximately HK\$170.3 million in FY2019 to approximately HK\$192.4 million in FY2020. This was primarily attributable to the fair value losses on financial assets.

As at 31 December 2020, net assets of the Cosmopolitan Group increased to approximately HK\$1.5 billion from approximately HK\$1.2 billion as at 31 December 2019, due primarily to the conversion of the convertible bonds issued by the Cosmopolitan Group by their holder during FY2020.

1H FY2021 compared to 1H FY2020

The Cosmopolitan Group's revenue increased by approximately 84.3% from approximately HK\$33.1 million in 1H FY2020 to approximately HK\$61.0 million in 1H FY2021. This was mainly due to the significant increase in the revenue from the financial assets investments segment which accounted for approximately 6.6% and 82.6% of the total revenue of the Group in 1H FY2020 and 1H FY2021 respectively. Meanwhile, revenue from the property development and investment segment decreased by approximately 65.7% in 1H FY2021, as compared with 1H FY2020.

For 1H FY2021, the Cosmopolitan Group made a net profit of approximately HK\$1.2 million, as compared to a net loss of approximately HK\$79.0 million in 1H FY2020. The improved financial results attained by the Cosmopolitan Group was primarily attributable to the increase in the revenue from the financial assets investments segment as discussed above.

Net assets of the Cosmopolitan Group remained relatively stable at approximately HK\$1.5 billion, both as at 30 June 2021 and 31 December 2020.

2.3 Outlook of the Cosmopolitan Group

The uncertainties surrounding the global economy are expected to persist, at least in the near term. Moreover, as some parts of the PRC have re-imposed lock down measures to combat the resurging number of COVID-19 infected cases in their local communities, this could potentially affect the pace of the economic growth of the PRC in the second half of 2021.

The central government of the PRC continued to implement different administrative and fiscal policies to regulate its real estate market, which is believed to be beneficial to its healthy development in the long term. The Cosmopolitan Group is optimistic of the future prospects of the economy in the PRC.

LETTER FROM ALTUS CAPITAL

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.

As described in the Cosmopolitan 2021 Interim Report, substantial sales proceeds have been secured by the Cosmopolitan Group from the contracted presales of the residential units in the Chengdu Project (which are planned to be delivered to the respective unit purchasers in stages beginning from the fourth quarter of 2021). Further substantial sales proceeds are expected to be generated by the Cosmopolitan Group from (i) the sale of shops, car parking spaces, office units and/or the hotel (being the remaining component parts comprised in the Chengdu Project); and (ii) the sale of the office units and the commercial podium of the Tianjin Project.

According to the Management's understanding from the management of Cosmopolitan, the Revised Loan Facilities will be utilised by the Cosmopolitan Group for working capital purpose and the entering into of the Supplemental Agreement will allow the Cosmopolitan Group to align the timing for the repayment of the Revised Loan Facilities with the latest presale progress, tentative completion schedule of the Chengdu Project and the Tianjin Project as well as the expected timing of funding repatriation after clearance of the taxes payable in the PRC by the Project Group. We have discussed with the Management about the latest presale progress and completion schedule of the Chengdu Project and the Tianjin Project. Based on the expected completion schedule of the Chengdu Project and Tianjin Project, and assuming no unforeseen circumstances arise which may cause material delay to the completion schedule, we concur with the Management that the Revised Loan Facilities will facilitate the Cosmopolitan Group to align the timing for the repayment of such loan facilities with the completion schedule of these two projects. Given that Regal is a substantial shareholder of Cosmopolitan, Regal will benefit from the gain in shareholders' value as a result of the successful completion of the two projects under the Cosmopolitan Group. Moreover, we note from the "Letter from the Regal Board" of the Circular that the Regal Group and the Cosmopolitan Group have recently commenced preliminary discussion and consideration in respect of the possible acquisition by the Regal Group of the hotel property comprised in the Chengdu Project with a view to expand its hotel network in the PRC, which could facilitate Regal to broaden its income source from a geographically expanded hotel portfolio. Based on the above, we are of the view that the interests of Regal and Cosmopolitan in respect of the Chengdu Project and Tianjin Project are aligned and the successful completion of these projects will be in the interests of Regal and its shareholders as a whole.

Also as described in the "Letter from the Regal Board", the revolving loan facility under the Revised Loan Facilities in the amount of HK\$500 million will be 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 Revised Loan Facilities are finally repaid. Such amount of revolving loan facility remains the same as under the Original Loan Facilities. We have discussed with the Management and noted that the revolving loan facility had once been fully drawn down by the Cosmopolitan Group. We have also noted from the Management on their understanding from the management of Cosmopolitan that the Cosmopolitan Group will use the revolving loan facility for its working capital purpose from time to time, including the funding needs and/or working capital of the Chengdu Project and the Tianjin Project.

LETTER FROM ALTUS CAPITAL

The Regal Group noted that the management of the Cosmopolitan Group had considered external refinancing, being bank borrowing, for the repayment of the amount payable to the Regal Group. However, such approach was considered impracticable in light of the present status of the two projects, the limitations under the relevant banks' loan policies as well as their lending terms and conditions. Hence, as requested by the Cosmopolitan Group, the Regal Group has agreed to enter into the Supplemental Agreement.

We noted that money lending is not ordinary and usual course of business of the Regal Group and according to the Regal 2021 Interim Report, the cash balances of the Regal Group are mostly placed or deployed on bank deposits, and/or treasury and yield enhancement products pursuant to its funding and treasury policy. It is noted that the average interest yield earned from such deposits or products for 1H FY2021 amounted to approximately 1.76% per annum, which is lower than the interest rate of 5% per annum of the Revised Loan Facilities as further discussed under section 4.2 below. Therefore, the Revised Loan Facilities would enable the Regal Group to earn a higher interest yield on its cash balances.

Having considered the above and that the Revised Loan Facilities will 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) and interest will be earned on the Revised Loan Facilities, we are of the view that the provision of the Revised Loan Facilities to the Cosmopolitan Group 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. Principal terms of the Revised Loan Facilities

The principal terms of the Revised Loan Facilities are set out in the section headed "Supplemental Agreement" of the "Letter from the Regal Board" of the Circular. When considering the fairness and reasonableness of the terms of the Revised Loan Facilities, we have taken into account the following factors:

4.1 Revised Loan Facilities amount

We understand from the Management that over the years, the term loan of HK\$1,350 million under the Original Loan Facilities had been partially repaid and reduced to HK\$357 million by the Cosmopolitan Group up to the Latest Practicable Date.

In addition, the amount of revolving loan facility of HK\$500 million to be provided under the Revised Loan Facilities remains the same as under the Original Loan Facilities. We have discussed with the Management and noted that the revolving loan facility of HK\$500 million had once been fully drawn down by the Cosmopolitan Group.

Given that the provision of the Revised Loan Facilities in essence is the extension of the Original Loan Facilities to ensure the smooth completion of the Chengdu Project and the Tianjin Project, which constitute the core security of the Revised Loan Facilities, and the basis to determine the amount of Revised Loan Facilities was by reference to the actual outstanding amount of the term loan as at the

LETTER FROM ALTUS CAPITAL

date of the Supplemental Agreement and the revolving loan based on the funding needs of the two projects before their completion, which provides flexibility to the Cosmopolitan Group in the management of its surplus cash funds during interim periods, we are of the view that the Revised Loan Facilities amount is fair and reasonable.

4.2 Interest rate

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

We have considered the cost of funding of the Regal Group and accordingly we have reviewed the Regal 2021 Interim Report. It is noted that for 1H FY2021, the Regal Group's average cost of funding amounted to approximately 3.6%.

Given that the interest rate of the Revised Loan Facilities is higher than the cost of funding of the Regal Group as mentioned above, we are of the view that the interest rate of the Revised Loan Facilities is fair and reasonable.

4.3 Repayment term

All outstanding amounts of the Revised Loan Facilities shall be repaid on 12 October 2024.

Taking into account the latest presale progress, tentative completion schedule of the Chengdu Project and the Tianjin Project, in particular, that the construction of the commercial components of the Chengdu Project (being the remaining component parts comprised in the two projects) are anticipated to be completed by 2023, and the time period that may be required by the Project Group to complete the property sales and to repatriate funding from the PRC after clearance of the taxes payable in the PRC, we are of the view that the repayment term of the Revised Loan Facilities is fair and reasonable. In addition, we concur with the Management that the repayment term of the Revised Loan Facilities aligns with the Cosmopolitan Group's latest presale progress, tentative completion schedule of the Chengdu Project and the Tianjin Project as well as the expected timing of funding repatriation after clearance of the taxes payable in the PRC by the Project Group, which will enable the Cosmopolitan Group to fulfill its repayment obligations under the Revised Loan Facilities.

4.4 Security

According to the management accounts of Cosmopolitan, the total net assets of the Chengdu Project and Tianjin Project amounted to approximately HK\$1,959.7 million as at 30 June 2021, reflecting the implied carrying value of the Security as at 30 June 2021. As compared to the Revised Loan Facilities of HK\$857.0 million, the loan-to-value ratio was approximately 43.7% as at 30 June 2021. Based on the above, we are of the view that the value of the Security reasonably exceeds the Revised 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.

LETTER FROM ALTUS CAPITAL

4.5 Covenants

The Supplemental Agreement include covenants terms. For details, please refer to the section headed “Supplemental Agreement” of the “Letter from the Regal Board” of the Circular. As the Project Group 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 presale or sales proceeds. In addition, since the Revised 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 Revised Loan Facilities). Hence, we are of the view that the covenants under the Revised Loan Facilities are fair and reasonable and in the interests of Regal and the Regal Shareholders as a whole.

4.6 Section summary

Having considered the above, we are of the view that the terms of the Revised Loan Facilities as contemplated under the Supplemental Agreement are on normal commercial terms and are fair and reasonable.

5. Potential financial effect of the Transaction

The Revised Loan Facilities are in effect an extension of the repayment term of the Original Loan Facilities from 12 October 2021 to 12 October 2024.

As at the Latest Practicable Date, the outstanding principal amount of the term loan and the revolving loan under the Original Loan Facilities was HK\$357 million and approximately HK\$57 million respectively. There will be no further drawdown on the term loan facility under the Revised Loan Facilities. Any further drawdown on the revolving loan facilities is expected to be funded by Regal Group’s internal financial resources and there will be no impact on the net asset value of the Regal Group, which had approximately HK\$14.7 billion net assets as at 30 June 2021. Therefore, the provision of the Revised Loan Facilities is not expected to have any material impact on the financial position of the Regal Group. In addition, the Regal Group will continue to earn interest income on the Revised Loan Facilities at an interest rate of 5.0% per annum, which is higher than the Regal Group’s cost of funding.

RECOMMENDATION

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

LETTER FROM ALTUS CAPITAL

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 Supplemental Agreement.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Simon Kwok
Senior Manager

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 transactions.

Mr. Simon Kwok (“Mr. Kwok”) 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. He has over seven years of experience in financial services industry, including over five years of corporate finance advisory experience in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Kwok is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE REGAL GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020

Financial information of the Regal Group for each of the three years ended 31 December 2018, 2019 and 2020 is disclosed on pages 77 to 186 of the annual report of Regal for the year ended 31 December 2018, pages 79 to 189 of the annual report of Regal for the year ended 31 December 2019 and pages 76 to 185 of the annual report of Regal for the year ended 31 December 2020, all of which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of Regal (www.regal.com.hk).

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE REGAL GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2021

The unaudited consolidated financial information of the Regal Group for the six months ended 30 June 2021 is disclosed in the interim report of Regal for the six months ended 30 June 2021, which is available on the website of the Stock Exchange (www.hkexnews.hk) and the website of Regal (www.regal.com.hk).

INDEBTEDNESS

As at the close of business on 30 September 2021, being the latest practicable date for the purpose of this statement of indebtedness, the Regal Group had outstanding borrowings of approximately HK\$14,703.1 million which represented (i) bank loans of HK\$14,685.3 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, financial assets at fair value through profit or loss, time deposits and bank balances with an aggregate net book value of approximately HK\$21,127.8 million as at 30 September 2021, (ii) lease liabilities of HK\$17.8 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 30 September 2021, the Regal Group had contingent liabilities relating to corporate guarantees provided in respect of attributable share of banking facilities granted to certain subsidiaries and an associate of a joint venture of approximately HK\$2,580.1 million and HK\$178.6 million respectively, which were fully utilised. In addition, guarantees were given to certain banks by the Regal Group for bonds issued by the banks in relation to certain property development projects of the Regal Group and a joint venture amounting to HK\$15.0 million and HK\$4.0 million, respectively, as at 30 September 2021.

Save as disclosed above and apart from intra-group liabilities, the Regal Group did not have, at the close of business on 30 September 2021, 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 finance lease commitments, or any guarantees or other material contingent liabilities.

FINANCIAL AND TRADING PROSPECTS**OUTLOOK**

While the international trade disputes and geopolitical tensions continue to heighten, the outlook for the global economy in the second half of this year is still crowded with uncertainties. Moreover, the Delta variant is causing renewed fears in many countries in the world, as an increasing number of cases infected with this variant is identified in their local communities. On a positive note, vaccination rates are stepping up at a steady pace in many major countries, including Mainland China, which should provide prospects for relief in the future.

Riding on the economic recovery achieved in the first six months, the Government of Hong Kong has recently implemented a relief measure, among other key supportive measures, to distribute a total of HK\$36 billion consumption vouchers to eligible residents in Hong Kong, which should help boost local consumption in the second half of 2021. In the past few months, Hong Kong has been able to successfully contain the spread of the COVID-19 pandemic in the local community. The Government of Hong Kong has also been urging its citizens to participate in its vaccination programme, with a view to achieving herd immunity within the shortest possible time, in order for all social and economic activities to be able to return to normal.

As far as Regal REIT is concerned, rental income for the second half of 2021 will remain stable, as substantially all of the hotels within its property portfolio are under leases with pre-determined annual base rents or fixed rent. The REIT Manager is still positive on the future prospects of Hong Kong and believes that once the borders reopen and the national and international traffic resumes, the tourist and hospitality sectors in Hong Kong should be able to gradually revive.

The Regal Group has recently implemented a series of financing arrangements to consolidate and strengthen its financial position for the long term. The Regal Group is optimistic that, with the backing of its strong asset base and diversified business platform, it will be able to regain growth momentum soon after the impact of the pandemic subsides.

WORKING CAPITAL

The Regal Directors, after due and careful consideration, are of the opinion that after taking into account the internal financial resources, present banking facilities available to the Regal Group and the provision of the Revised Loan Facilities to the Cosmopolitan Group, the Regal Group has sufficient working capital for its requirements for at least the next twelve months from the date of this circular in the absence of unforeseeable circumstances.

1. RESPONSIBILITY STATEMENT

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. DISCLOSURE OF REGAL DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Regal Director and chief executive of Regal in the shares, underlying shares and debentures of Regal and any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 the Regal Directors and chief executive of Regal were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by Regal pursuant to Section 352 of the SFO, or as otherwise required to be notified to Regal and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (“**Model Code**”) were as follows:

	Regal/ Name of associated corporation	Name of Regal Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Personal interests	Corporate interests	Family/Other interests	
1.	Regal	Mr. LO Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		Miss LO Po Man	Ordinary (issued)	300,000	269,169 (Note d)	—	569,169 (0.06%)
		Dr. Francis CHOI Chee Ming	Ordinary (issued)	50,240,000	—	—	50,240,000 (5.59%)
		Mr. Allen WAN Tze Wai	Ordinary (issued)	10,200	—	—	10,200 (0.001%)
2.	Century City	Mr. LO Yuk Sui	Ordinary (issued)	110,887,396	1,769,164,691 (Note a)	380,683	1,880,432,770 (60.29%)
		Miss LO Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.004%)
		Ms. Belinda YEUNG Bik Yiu	Ordinary (issued)	200	—	—	200 (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%)

	Regal/ Name of associated corporation	Name of Regal Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
				Personal interests	Corporate interests	Family/Other interests	
3.	Paliburg	Mr. LO Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Miss LO Po Man	Ordinary (issued)	1,116,000	—	—	1,116,000 (0.10%)
		Mr. Donald FAN Tung	Ordinary (issued)	556	—	—	556 (0.000%)
		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%)
4.	Cosmopolitan	Mr. LO Yuk Sui	Ordinary (i) (issued)	—	4,694,426,144 (Note e)	—	4,694,426,144
			(ii) (unissued)	—	3,045,487,356 (Note f)	—	3,045,487,356
						Total:	7,739,913,500 (121.08%)
			Preference (issued)	—	2,295,487,356 (Note f)	—	2,295,487,356 (99.99%)
		Miss LO Po Man	Ordinary (issued)	1,380,000	—	—	1,380,000 (0.02%)
		Mr. Jimmy LO Chun To	Ordinary (issued)	2,269,101	—	—	2,269,101 (0.04%)
5.	Regal REIT	Mr. LO Yuk Sui	Units (issued)	—	2,443,033,102 (Note g)	—	2,443,033,102 (74.99%)
6.	8D International (BVI) Limited	Mr. LO Yuk Sui	Ordinary (issued)	—	1,000 (Note h)	—	1,000 (100%)

Notes:

- (a) The interests in 1,769,164,691 issued ordinary shares of Century City were held through companies wholly-owned by Mr. LO Yuk Sui (“Mr. Lo”).
- (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 60.28% 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 Regal Shares were held through companies wholly-owned by Century City, in which Mr. Lo held 60.28% shareholding interests. The interests in 622,433,861 issued Regal Shares were held through companies wholly-owned by Paliburg, in which Century City held 62.28% shareholding interests. Paliburg held 69.25% shareholding interests in Regal.
- (d) The interests in 269,169 issued Regal Shares were held through a company wholly owned by Miss LO Po Man.
- (e) The interests in 3,095,901,480 issued ordinary shares of Cosmopolitan were held through wholly-owned subsidiaries of P&R Holdings, which is owned as to 50% each by Paliburg and Regal through their respective wholly-owned subsidiaries. The interests in the other 1,065,191,332 issued ordinary shares of Cosmopolitan were held through wholly-owned subsidiaries of Regal. The interests in the other 533,333,332 issued ordinary shares of Cosmopolitan were held through wholly-owned subsidiaries of Paliburg. Paliburg, in which Century City held 62.28% shareholding interests, held 69.25% shareholding interests in Regal. Mr. Lo held 60.28% shareholding interests in Century City.
- (f) The interests in 3,045,487,356 unissued ordinary shares of Cosmopolitan were held through wholly-owned subsidiaries of P&R Holdings, which is owned as to 50% each by Paliburg and Regal through their respective wholly-owned subsidiaries. Paliburg, in which Century City held 62.28% shareholding interests, held 69.25% shareholding interests in Regal. Mr. Lo held 60.28% shareholding interests in Century City.

The interests in 2,295,487,356 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in 2,295,487,356 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 750,000,000 unissued ordinary shares of Cosmopolitan are derivative interests held through interests in the convertible bonds in the principal amount of HK\$300,000,000 issued by a wholly-owned subsidiary of Cosmopolitan. The convertible bonds are convertible into new ordinary shares of Cosmopolitan at a conversion price of HK\$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

- (g) 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 62.28% shareholding interests, held 69.25% shareholding interests in Regal. Mr. Lo held 60.28% shareholding interests in Century City.
- (h) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 60.28% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed above, none of the Regal Directors or the chief executive of Regal had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of Regal or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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), or which were recorded in the register required to be kept by Regal under Section 352 of the SFO, or which were required to be notified to Regal and the Stock Exchange pursuant to the Model Code.

Details of directorships of the Regal Directors in each of those companies which has an interest in the shares and underlying shares of Regal as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

- (1) Mr. Lo Yuk Sui is a director of YSL International Holdings Limited (“**YSL Int’l**”), which is interested in approximately 69.30% of the shareholding of Regal.
- (2) Mr. Lo Yuk Sui, Miss Lo Po Man and Mr. Jimmy Lo Chun To are directors of Grand Modern Investments Limited (“**Grand Modern**”) (being a wholly owned subsidiary of YSL Int’l), which is interested in approximately 69.30% of the shareholding of Regal.
- (3) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Mr. Kenneth Ng Kwai Kai, Ms. Winnie Ng and Mr. Wong Chi Keung are directors of Century City, which is owned as to 52.27% by Grand Modern and is interested in approximately 69.30% of the shareholding of Regal.
- (4) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To and Mr. Kenneth Ng Kwai Kai are directors of Century City BVI Holdings Limited (being a wholly owned subsidiary of Century City), which is interested in approximately 69.30% of the shareholding of Regal.
- (5) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Mr. Kenneth Ng Kwai Kai, Ms. Winnie Ng and Mr. Wong Chi Keung are directors of Paliburg, which is owned as to 62.28% by Century City and is interested in approximately 69.25% of the shareholding of Regal.

- (6) Mr. Lo Yuk Sui, Miss Lo Po Man, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To and Mr. Kenneth Ng Kwai Kai are directors of each of the following wholly owned subsidiaries of Paliburg (i) Paliburg Development BVI Holdings Limited, which is interested in approximately 69.25% of the shareholding of Regal, (ii) Guo Yui Investments Limited, which is interested in approximately 30.17% of the shareholding of Regal, (iii) Paliburg BVI Holdings Limited, which is interested in approximately 25.69% of the shareholding of Regal, (iv) Taylor Investments Ltd., which is interested in approximately 17.16% of the shareholding of Regal, (v) Glaser Holdings Limited, which is interested in approximately 6.53% of the shareholding of Regal, and (vi) H.P. Nominees Limited, which is interested in approximately 6.17% of the shareholding of Regal.

As at the Latest Practicable Date, none of the Regal Directors had any material direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Regal Group since 31 December 2020, being the date to which the latest published audited financial statements of the Regal Group were made up.

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

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Regal Directors had entered into, or proposed to enter into, any service contract with any member of the Regal Group which would not expire or would not be determinable by the Regal Group within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

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.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Regal Directors and his/her respective 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 associates were appointed to represent the interests of Regal and/or the Regal Group.

6. 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	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 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 they appear. The letter of Altus Capital is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Altus Capital had no interest in the share capital of any member of the Regal Group nor had any 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 Altus Capital had no interest, either directly or indirectly, in any assets which have, since 31 December 2020, the date to which the latest published audited financial statements of the Regal Group were made up, been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Regal Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Regal Group within the two years immediately preceding the date of this circular which are or may be material:

- (a) a facility agreement dated 26 June 2020 (as amended by a supplemental facility agreement dated 20 July 2020) between Capital Merit Investments Limited (a wholly-owned subsidiary of Paliburg) and Regal Hotels Investments Limited (a wholly-owned subsidiary of Regal) in respect of the provision of financial assistance of up to HK\$1,000 million to the P&R Group;
- (b) the 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 date of this circular.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Regal Directors were not aware of any material adverse change in the financial or trading position of the Regal Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Regal Group were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the website of the Stock Exchange (www.hkexnews.hk) and the website of Regal (www.regal.com.hk) from the date of this circular up to and including the date of the SGM:

- (a) the material contracts referred to in the section headed “Material contracts” of this Appendix;
- (b) the written consent referred to in the section headed “Qualification and consent of expert” of this Appendix; and
- (c) Altus Capital’s letter of advice dated 11 November 2021.

10. GENERAL

- (a) The registered office of Regal is at 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) The branch share registrar of Regal 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) The English text of this circular shall prevail over the Chinese text.

NOTICE OF THE 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 Tuesday, 30 November 2021 at 11:30 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the entering into of the Supplemental Agreement (as defined in the circular to the shareholders of the Company dated 11 November 2021 (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 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 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, 11 November 2021

NOTICE OF THE 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 meeting 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 typhoon signal no. 8 (or above) or a black rainstorm warning is in effect on the day of the SGM, members of the Company are requested to call the Company's hotline at (852) 2894-7547 on that day to enquire about the arrangements of the SGM.