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 **REGAL REIT**
富豪產業信託
REGAL REAL ESTATE INVESTMENT TRUST

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

Managed by



- (1) LEASE EXTENSIONS/AMENDMENTS, LEASE GUARANTEE EXTENSIONS AND CCPT WAIVER EXTENSIONS;**
- (2) NEW HOTEL MANAGEMENT AGREEMENT AND NEW CCPT WAIVER; AND**
- (3) EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS**

Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the Lease Matters Requiring Approval, New Hotel Management Agreement and New CCPT Waiver Application

ALTUS CAPITAL LIMITED

The Board of Regal Portfolio Management Limited as the Manager of Regal Real Estate Investment Trust wishes to announce that the Manager proposes to: (a) extend the term of each Lease Agreement and Lease Guarantee in relation to the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel by a further ten (10) years (so that the total term of each of these Lease Agreements will be from 30 March 2007 to 31 December 2030); (b) extend the term of the Lease Agreement and Lease Guarantee in relation to the Regal Airport Hotel, which is held under a sub-leasehold interest granted by the Airport Authority Hong Kong under a sub-lease which expires on 30 December 2028, by a further eight (8) years less four (4) days (so that the total term of which will be from 30 March 2007 to 27 December 2028); (c) include a non-fault based early termination provision exercisable only by Regal REIT (through the Lessors) in each Lease Agreement in relation to the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel; (d) enter into a new Hotel Management Agreement in respect of the iclub Wan Chai Hotel to extend the operating term for ten (10) years from 1 January 2021 to 31 December 2030; and (e) include a non-fault based early termination provision in the New Hotel Management Agreement exercisable only by Regal REIT (through the Owner).

The Circular containing among other things: (a) a letter from the Board to the Unitholders containing details of, among other things, the Lease Matters Requiring Approval, the New Hotel Management Agreement and the New CCPT Waiver; (b) a letter from the Independent Board Committee; (c) a letter from the Independent Financial Adviser, and (d) the notice of the EGM, has been issued on the date hereof and will be despatched to Unitholders as soon as practicable. The EGM will be held at 11:00 a.m. on Wednesday, 15 January 2020 at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong, for the purpose of considering and, if thought fit, passing with or without amendments, the EGM Resolutions set out in the Circular.

The register of Unitholders will be closed from Friday, 10 January 2020 to Wednesday, 15 January 2020, both days inclusive, to determine which Unitholders will qualify to attend and vote at the EGM, during which period no transfers of Units will be effected.

1. INTRODUCTION

This announcement is being made pursuant to 10.3 of the REIT Code.

1.1 Purpose of this Announcement

The Board wishes to announce that the Manager is proposing to: (a) extend the term of each Lease Agreement and Lease Guarantee in relation to the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel by a further ten (10) years (so that the total term of each of these Lease Agreements will be from 30 March 2007 to 31 December 2030); (b) extend the term of the Lease Agreement and the Lease Guarantee in relation to the Regal Airport Hotel, which is held under a sub-leasehold interest granted by the Airport Authority Hong Kong under a sub-lease which expires on 30 December 2028, by a further eight (8) years less four (4) days (so that the total term of which will be from 30 March 2007 to 27 December 2028); (c) include a non-fault based early termination provision exercisable only by Regal REIT (through the Lessors) in each Lease Agreement in relation to the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel; (d) enter into a new Hotel Management Agreement in respect of the iclub Wan Chai Hotel to extend the operating term for ten (10) years from 1 January 2021 to 31 December 2030; and (e) include a non-fault based early termination provision in the New Hotel Management Agreement exercisable only by Regal REIT (through the Owner).

1.2 Overview of Regal REIT's Portfolio

At present, the property portfolio of Regal REIT comprises a total of 9 hotel properties, being the Initial Hotels and the iclub Hotels. The Initial Hotels are a crucial part of Regal REIT's property portfolio which account for approximately 80% of the valuation and total gross rental and hotel revenue of Regal REIT.

For illustrative purposes only, a summary of the valuation and gross rental and hotel revenue in respect of Regal REIT's property portfolio is set out in the following table, which has been prepared on the basis of the notes set out below.

Description	Valuation as at 30 June 2019 ¹ (HK\$ million) (% of Total Valuation) ²	Leased / Self-operated	Gross Rental and Hotel Revenue for the year ended 31 December 2018 ³ (HK\$ million) (% of Total Gross Rental and Hotel Revenue) ⁴
<i>Initial Hotels:</i>			
1. Regal Airport Hotel	3,100 (11.43%)	Under Lease	} 824.7 (80.7%)
2. Regal Hongkong Hotel	4,606 (16.98%)	Under Lease	
3. Regal Kowloon Hotel	6,218 (22.92%)	Under Lease	
4. Regal Oriental Hotel	2,052 (7.56%)	Under Lease	
5. Regal Riverside Hotel	5,405 (19.93%)	Under Lease	
	21,381 (78.82%)		
<i>iclub Hotels:</i>			
6. iclub Wan Chai Hotel	915 (3.37%)	Self-operated	46.6 (4.6%)
7. iclub Sheung Wan Hotel	1,650 (6.08%)	Under Lease	44.0 (4.3%)
8. iclub Fortress Hill Hotel	1,700 (6.27%)	Under Lease	61.1 (6.0%)
9. iclub Ma Tau Wai Hotel	1,480 (5.46%)	Under Lease	45.5 (4.4%)
	27,126 (100%)		1,021.9 (100%)

Notes:

1 Valuation as set out in the 2019 Interim Report.

2 The total valuation of Regal REIT's property portfolio (HK\$27,126 million) is based on the valuation of the Initial Hotels and the iclub Hotels as at 30 June 2019.

3 Gross rental and hotel revenue as set out in the 2018 Annual Report.

4 The total gross rental and hotel revenue of Regal REIT's property portfolio (HK\$1,021.9 million) is based on the aggregate gross rental and hotel revenue of the Initial Hotels and the iclub Hotels for the year ended 31 December 2018 as set out in the 2018 Annual Report.

2. LEASE MATTERS REQUIRING APPROVAL

2.1 Background

As stated in the Offering Circular of Regal REIT dated 19 March 2007, and the Lease Extension Circular dated 13 March 2015, the Initial Hotels are leased to Favour Link International Limited (as the Lessee), a wholly-owned subsidiary of Regal Hotels, pursuant to separate lease agreements (each as supplemented and/or amended from time to time, individually, the “**Lease Agreement**” and, collectively, the “**Lease Agreements**”) which will expire on 31 December 2020.

Under separate guarantees (individually, the “**Lease Guarantee**” and, collectively, the “**Lease Guarantees**”), Regal Hotels guaranteed to pay to the Lessor of each Initial Hotel and/or the Trustee, on demand, all amounts from time to time owing or payable by the Lessee under the relevant Lease Agreement.

The Manager confirms that the summary below contains all the key terms of the Lease Agreements and Lease Guarantees for the purposes of the upcoming EGM. For further details of the Lease Agreements and Lease Guarantees, please refer to the Offering Circular and the Lease Extension Circular.

(a) *Key Terms of the Lease Agreements*

	Current Lease Agreement (as extended/amended in 2015)	After the proposed Lease Extensions/Amendments <i>(subject to Independent Unitholders’ approval)</i>
Term	Commencing from the Listing Date (30 March 2007) and expiring on 31 December 2020.	For the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel, commencing from the Listing Date (30 March 2007) and expiring on 31 December 2030. For the Regal Airport Hotel (which is held under a sub-leasehold interest granted by the Airport Authority Hong Kong under a sub-lease which expires on 30 December 2028), commencing from the Listing Date (30 March 2007) and expiring on 27 December 2028.

**Current Lease Agreement
(as extended/amended in 2015)**

**After the proposed
Lease Extensions/Amendments**
*(subject to Independent
Unitholders' approval)*

**Rental from
2007 to 2010**

Base rent

No change.

For the years from 2007 to 2010: an annual aggregate base rent of HK\$630 million in the first fiscal year, and HK\$700 million, HK\$750 million and HK\$780 million for the second, third and fourth fiscal years, respectively.

Variable rent

No change.

During each of the first to fourth fiscal years: 100%, 70%, 60% and 50% of the excess of the aggregate net property income over the aggregate annual base rent (taking into account any negative net property income) for each year from 2007 to 2010, respectively, to be paid semi-annually in arrears.

In the event the aggregate of the variable rent paid by the Lessee under the Lease Agreements for the full period of the four fiscal years from the Listing Date to 31 December 2010 shall be less than HK\$220 million, the Lessee shall pay the shortfall within 95 days after the end of the fourth fiscal year.

**Furniture, fixtures and
equipment contribution**

No change.

The Lessee is required from the Listing Date until 31 December 2010 to contribute 2% of the total hotel revenue towards the furniture, fixtures and equipment reserve.

**Current Lease Agreement
(as extended/amended in 2015)**

**After the proposed
Lease Extensions/Amendments**
*(subject to Independent
Unitholders' approval)*

**Rental from
2011 to 2015
(Annual
Market Rental
Package)**

A rent review by the Independent Professional Property Valuer will take place no later than 30 September of each of the years from 2010 to 2014 to determine the market rental package, including the amount of market rents (inclusive of base rent and variable rent), the Lessee's contribution to the furniture, fixtures and equipment reserve for each of the Initial Hotels for the relevant subsequent year from 2011 to 2015 and the amount of the security deposit.

No change.

Floor rent

No change.

HK\$400 million per annum in respect of all the Initial Hotels.

The Lessee is required to pay the higher of the floor rent and the monthly base rent, comprised within the Market Rental Package, in such manner that the monthly lease income of the Lessors will not be less than one-twelfth of the floor rent.

**Rental from
2016 to 2020
(Annual
Market Rental
Package)**

For each of the years from 2016 to 2019, the rent payable will continue to be determined in the same manner as for the period from 1 January 2011 to 31 December 2015 (that is, such rent will be determined annually based on the Market Rental Package determined by the Independent Professional Property Valuer no later than 30 September of the preceding year).

No change.

**Current Lease Agreement
(as extended/amended in 2015)**

**After the proposed
Lease Extensions/Amendments**

*(subject to Independent
Unitholders' approval)*

For the year 2020, the respective Lessors and the Lessee have signed supplemental letters agreeing that the rent payable will be determined based on the Market Rental Package determined by the Independent Professional Property Valuer no later than 30 November 2019. Please refer to the announcement dated 25 September 2019 for further details.

**Rental for the
Extended
Period
(Annual
Market Rental
Package)**

Not applicable.

The rent payable will reflect the current rental arrangement and continue to be determined in the same manner as for the period from 1 January 2011 to 31 December 2019 (that is, such rent will be determined annually based on the Market Rental Package determined by the Independent Professional Property Valuer no later than 30 September of the preceding year).

Security Deposit

For each of the years from 2007 to 2015, the highest of: (i) market rate determined by the Independent Professional Property Valuer upon each annual rent review; (ii) 50% of annual base rent as determined by such valuer, and (iii) 50% of annual floor rent.

For each of the years from 2016 to 2020, the highest of: (i) market rate determined by the Independent Professional Property Valuer upon each annual rent review; (ii) 25% of annual base rent as determined by such valuer, and (iii) 25% of annual floor rent.

The security deposit payable will reflect the current security deposit arrangement and continue to be determined in the same manner as for the period from 1 January 2016 to 31 December 2020 (that is, the highest of: (i) market rate determined by the Independent Professional Property Valuer upon each annual rent review; (ii) 25% of annual base rent as determined by such valuer, and (iii) 25% of annual floor rent).

	Current Lease Agreement (as extended/amended in 2015)	After the proposed Lease Extensions/Amendments <i>(subject to Independent Unitholders' approval)</i>
Early Termination	<p>By the Lessor</p> <p>Cross-default provision giving the right to the relevant Lessor to terminate the Lease Agreement if: (i) a termination notice has been served under any one or more of the other Lease Agreements resulting in a termination of any such other Lease Agreement; and (ii) the Lessee of any of the Initial Hotels defaults as "owner" under the related hotel management agreement resulting in the termination of the same in respect of such Initial Hotel.</p> <p>By the Lessee</p> <p>Save in the case of severe destruction of the Initial Hotels and <i>force majeure</i>, the Lessee does not have a right to early terminate a Lease Agreement.</p>	<p>By the Lessor</p> <p>In addition to the current early termination provisions, each of the Lease Agreements (except the Lease Agreement for the Regal Airport Hotel) will contain a non-fault based early termination provision giving the right to the relevant Lessor to terminate the relevant Lease Agreement at any time during the term of the Lease Agreement by giving six months' prior written notice to the Lessee, but without compensation, interest or costs paid to the Lessee, and the Lessee shall not have any claim against the Lessor for such early termination.</p> <p>By the Lessee</p> <p>No change.</p>

(b) Key Terms of the Lease Guarantees

	Current Lease Guarantee (as extended/amended in 2015)	After the proposed Lease Guarantee Extensions <i>(subject to Independent Unitholders' approval)</i>
Term	Commencing from the Listing Date (30 March 2007) and until the end of the term of the Lease Agreement.	No change.
Guarantee	Regal Hotels have guaranteed to pay to the Lessor and the Trustee on demand by the Lessor and/or the Trustee all amounts from time to time owing or payable by the Lessee to the Lessors under the Lease Agreements.	No change.

	Current Lease Guarantee (as extended/amended in 2015)	After the proposed Lease Guarantee Extensions <i>(subject to Independent Unitholders' approval)</i>
Third Party Guarantee	<p>For as long as the Lease Agreements are in place, Regal Hotels will maintain an irrevocable and unconditional on demand third party guarantee in favour of the Lessors and the Trustee.</p> <p>For the period from 2011 to 2015, the guaranteed amount shall equal to the highest of: (a) the amount of security deposit as determined by the Independent Professional Property Valuer upon each annual rent review; (b) 50% of the annual base rent as determined by such valuer upon each annual rent review; and (c) 50% of the floor rent.</p> <p>For the period from 2016 to 2020, the guaranteed amount shall equal to the highest of: (a) the amount of security deposit as determined by the Independent Professional Property Valuer upon each annual rent review; (b) 25% of the annual base rent as determined by such valuer upon each annual rent review; and (c) 25% of the floor rent.</p>	<p>The Third Party Guarantee for the period from 2021 to 2030 will continue to be determined in the same manner as the third party guarantee for the period from 2016 to 2020.</p> <p>For the period from 2021 to 2030, the guaranteed amount shall equal to the highest of: (a) the amount of security deposit as determined by the Independent Professional Property Valuer upon each annual rent review; (b) 25% of the annual base rent as determined by such valuer upon each annual rent review; and (c) 25% of the floor rent.</p>

2.2 Lease Extensions/Amendments and Lease Guarantee Extensions

On 20 December 2019, the parties to each Lease Agreement entered into a Supplemental Lease Agreement to: (a) (in relation to the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel) extend the term of each Lease Agreement by a further ten (10) years (so that the total term of each of these Lease Agreements will be from 30 March 2007 to 31 December 2030); (b) (in relation to the Regal Airport Hotel, which is held under a sub-leasehold interest granted by the Airport Authority Hong Kong under a sub-lease which expires on 30 December 2028) extend the term of the Lease Agreement by a further eight (8) years less four (4) days (so that the total term of which will be from 30 March 2007 to 27 December 2028); and (c)

(in relation to the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel) include a non-fault based early termination provision exercisable only by Regal REIT (through the Lessors) as set out in the table below (the “**Lease Extensions/Amendments**”).

**Early termination by the Lessor
(for the years 2007 to 2020)**

Cross-default provision giving the right to the relevant Lessor to terminate the Lease Agreement if: (i) a termination notice has been served under any one or more of the other Lease Agreements resulting in a termination of any such other Lease Agreement; and (ii) the Lessee of any of the Initial Hotels defaults as “owner” under the related hotel management agreement resulting in the termination of the same in respect of such Initial Hotel.

**Early termination by the Lessor
(for the Extended Period)**

In addition to the current early termination provisions, each of the Lease Agreements (except the Lease Agreement for the Regal Airport Hotel) will contain a non-fault based early termination provision giving the right to the relevant Lessor to terminate the relevant Lease Agreement at any time during the term of the Lease Agreement by giving six months’ prior written notice to the Lessee, but without compensation, interest or costs paid to the Lessee, and the Lessee shall not have any claim against the Lessor for such early termination.

On the same date, the parties to each of the Lease Guarantees also entered into a Supplemental Lease Guarantee to extend the term of the original Lease Guarantee, so that Regal Hotels’ obligation to maintain a third party guarantee will cover the Extended Period (the “**Lease Guarantee Extensions**”).

The Supplemental Agreements shall only become effective upon Independent Unitholders having approved the Lease Matters Requiring Approval.

Save for the Lease Extensions/Amendments and Lease Guarantee Extensions, no other material changes would be made to the terms and conditions of the Lease Agreements and the Lease Guarantees. In particular, the rent payable by the Lessee to each Lessor in respect of the Extended Period will reflect the current rental arrangement and continue to be determined in the same manner as for the period from 1 January 2011 to 31 December 2020 (that is, such rent will be determined annually based on the Market Rental Package determined by the Independent Professional Property Valuer no later than 30 September of the preceding year). Pursuant to the terms of the Lease Agreements, the Independent Professional Property Valuer is jointly appointed by the parties to the Lease Agreements. Separately, going forward, such appointment shall continue to be reviewed, considered and endorsed by the Audit Committee.

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

2.3 Reasons and Benefits; Risk Factors

The Manager considers that the Lease Extensions/Amendments and the Lease Guarantee Extensions, collectively, are: (a) the best available deal for Regal REIT; (b) entered into in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; and (c) fair and reasonable and in the best interests of Independent Unitholders and Regal REIT as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager. In forming this view, the Manager has, among other things, considered the following:

(a) Track Record and Continuity

The Lease Agreements have been in place since Regal REIT's listing. Since then, the Lessee has paid rent and other payments punctually and met all of its other obligations under the Lease Agreements such as provision of information to Regal REIT. Further, the Lessee has consistently been co-operative with the Manager on matters which require their joint input such as the determination and execution of capital expenditure budgets and annual Market Rental Packages.

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

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

(b) Facilitation of Regal REIT's Growth Strategy

Regal Hotels and its Associates have been undertaking hotel developments in Hong Kong. Regal Hotels has been very supportive of Regal REIT since its listing and has provided acquisition opportunities (such as the acquisition of the iclub Wan Chai Hotel, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel) to facilitate Regal REIT's external growth strategy during such time. The Manager believes that Regal Hotels will continue its efforts to contribute to the growth of Regal REIT if it can come to terms with the Lessee regarding the extension of the term of the Lease Agreements.

Conversely, if the Lease Matters Requiring Approval are not approved by Independent Unitholders, Regal Hotels may be discouraged from introducing new acquisition opportunities to Regal REIT if, after the initial lease term for the target hotel has expired, there is a risk that the parties are unable to come to terms regarding an extension of the term of the lease (following which Regal Hotels' operational control over the target hotel will be lessened). This could, in turn, have a material adverse impact on Regal REIT's external growth strategy and its future financial performance.

(c) Maintain Current Hotel Management Fee

As stated in the Offering Circular, the appointment of the Hotel Manager under the hotel management agreements in respect of the relevant Initial Hotels is 20 years from the Listing Date (expiring in March 2027).

If the Lease Matters Requiring Approval are not approved by Independent Unitholders, the Lease Agreements shall expire while the relevant hotel management agreements are in subsistence. Following the expiry of the Lease Agreements, the hotel management base fees and incentive fees payable by Regal REIT to the Hotel Manager under the hotel management agreements will increase from 1% to 2% of Gross Revenues (as defined in the hotel management agreements in respect of the relevant Initial Hotels) and from 1% to 5% of the excess of Adjusted GOP (as defined in the hotel management agreements in respect of the relevant Initial Hotels) over the hotel management base fees and fixed charges. The Lease Extensions/Amendments can avoid an uplift in fees during the Extended Period that may have a material adverse impact on the financial performance of Regal REIT.

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

Currently, there are no subsisting events of default under the relevant hotel management agreements that would entitle Regal REIT to terminate such hotel management agreements. Expiry of the Lease Agreements does not, in and of itself, constitute an event of default that allows Regal REIT to terminate the relevant hotel management agreements. While Regal REIT may terminate the hotel management agreements if the relevant Lease Agreements are terminated due to a breach by the Lessee, no such breach by the Lessee has taken place to date.

Further, as stated in the Offering Circular, the Initial Hotels are permitted to use the “Regal” brand name pursuant to the Deed of Trade Mark Licence dated 16 March 2007. However, this licence shall terminate upon termination of the relevant hotel management agreements. The early termination of this licence would be very disruptive to Regal REIT’s business operations and could, in turn, have a material adverse impact on the financial performance of Regal REIT.

Accordingly, the terms of the hotel management agreements do not permit, nor is it otherwise feasible for, an incoming lessee to replace the existing Hotel Manager; if the incoming lessee has no affiliation with the Hotel Manager, their interests may not be aligned, as the incoming lessee and the Hotel Manager may have different economic interests and goals. There may also be conflicts between the policies or objectives adopted by the incoming lessee and the Hotel Manager. Such conflicts may affect the smooth operation of the Initial Hotels and could have a material adverse impact on the financial performance of Regal REIT.

(e) Early Termination Provisions Exercisable in Favour of Regal REIT

The Lease Agreements will normally be signed/extended for a relatively long period of time (in the current case, the Lease Matters Requiring Approval propose to extend the relevant Lease Agreements: (a) in respect of Initial Hotels except for the Regal Airport Hotel, for ten (10) years, and (b) in respect of the Regal Airport Hotel, for eight (8) years less four (4) days). In the event that the Lessors find it commercially or otherwise more favourable or practicable to terminate the Lease Agreements in respect of the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and/or the Regal Riverside Hotel, the additional non-fault based early termination provisions will entitle the relevant Lessors to do so by giving a six (6) months' prior written notice to the Lessee anytime during the term of the Lease Agreements. Due to the terms of the sub-lease between the Lessor and the Airport Authority Hong Kong, as a matter of practicality, any assignment, transferring, dealing with, subletting or granting of rights over any part of Regal Airport Hotel is subject to the prior consent of Airport Authority Hong Kong. Accordingly, the Lessor does not propose to include a similar non-fault based early termination provision in the Supplemental Lease Agreement for the Regal Airport Hotel.

The Manager considers that this right to unilaterally through the Lessors terminate the relevant Lease Agreements is favourable to Regal REIT and Regal REIT's Unitholders.

(f) Best Available Deal for Regal REIT

Pursuant to the relevant hotel management agreements in respect of the Initial Hotels, the Hotel Manager cannot be replaced prior to the expiry thereof (unless under the particular circumstances as described in detail in the Offering Circular), and therefore any incoming lessee may not be able to replace the Hotel Manager. Given the prevailing structure of Regal REIT's business operations in respect of the Initial Hotels, the Manager is of the view that the prospect of receiving any reasonable proposal from other parties adopting a structure similar to the prevailing one is unlikely due to: (a) the negative impact currently prevailing over the local tourism and hotel industry and the uncertainty as to when the hospitality market will begin to recover; and (b) the practical limitations under the relevant hotel management agreements in respect of the Initial Hotels. In addition, having considered the time, financial and administrative resources required, the Manager is of the view that, on balance, it is not commercially practical for Regal REIT to seek alternative deals from other potential lessees.

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

2.4 CCPT Waiver Extensions

The SFC has granted a waiver from strict compliance with the disclosure and unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain categories of connected party transactions between Regal REIT, the Regal Connected Persons Group (as defined in the Offering Circular) and/or the REIT Manager Group (as defined in the Offering Circular) (the "**CCPT Waiver**"). The CCPT Waiver was initially granted around the time of Regal REIT's listing, among which the waiver in respect of the Lease Agreements was subsequently extended in 2015. Details of the CCPT Waiver are contained in the Offering Circular and the Lease Extension Circular.

Such categories of connected party transactions include transactions under the Lease Agreements and the Lease Guarantees. However, the duration of the abovementioned waiver for these agreements is: (a) (in respect of the Lease Agreements) until the earlier of 31 December 2020 or the date of termination; and (b) (in respect of the Lease Guarantees) until the last date of subsistence.

As the duration of the waiver in respect of the Lease Guarantees does not have a fixed expiry date, only the CCPT Waiver in connection with the Lease Agreements is due to expire next year.

Accordingly, the Manager has made a submission to the SFC to seek an extension of the abovementioned waiver in respect of the Lease Agreements, so that such waiver in respect of the Lease Agreements will only cease on the date of expiry (being 27 December 2028 for the Regal Airport Hotel and 31 December 2030 for the other Initial Hotels) or termination of such agreements, whichever is earlier (the "**CCPT Waiver Extensions**"). For the avoidance of doubt, the waiver in respect of the Lease Guarantees will continue until their last date of subsistence (which coincides with the termination of the Lease Agreements) and hence does not require any extension.

The Manager undertakes that it will continue to comply with the waiver conditions (the “**Waiver Conditions**”) of the CCPT Waiver, subject to the proposed CCPT Waiver Extensions. Assuming the CCPT Waiver Extensions are approved by the Independent Unitholders and the SFC, the following Waiver Conditions will apply or continue to apply:

(i) Due Approval by Independent Unitholders

The CCPT Waiver Extensions will only take effect upon the CCPT Waiver Extensions having been approved by the Independent Unitholders at the EGM by way of an Ordinary Resolution.

(ii) Duration

The CCPT Waiver is for the periods set out in the table below, provided that the connected party transactions are duly and properly carried out in accordance with the terms and conditions of the relevant documents.

Agreement/Deed	Period of Waiver granted
Lease Agreements (as supplemented and/or amended from time to time)	Listing Date to 27 December 2028 (in the case of the Regal Airport Hotel) or 31 December 2030 (in the case of the other Initial Hotels) or date of termination, whichever is earlier
Lease Guarantees (as supplemented and/or amended from time to time)	Listing Date to last date of subsistence
Hotel management agreements in respect of the Initial Hotels	20 years from the Listing Date or date of termination, whichever is earlier
Deed of Trade Mark Licence	Listing Date to date of expiry or termination, whichever is earlier

The Lessor of each Lease Agreement shall commence negotiations with the Lessee for the possible further extension of that Lease Agreement at least two years before expiry of the Extended Period, as applicable.

(iii) No material change

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

(iv) Disclosure in reports and results announcements

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

(v) Chapter 10 of the REIT Code

The Manager shall ensure compliance with any applicable disclosure requirements under Chapter 10 of the REIT Code. The Manager shall inform Unitholders by way of an announcement as soon as practicable of any information which is necessary to enable Unitholders to appraise the position of Regal REIT, including, without limitation, if there is: (a) any extension of the relevant completion date or long stop date and/or any delay in payment of liquidated damages or cash compensation as specified in the relevant documents; (b) any payments under the Lease Guarantees; (c) any payments of hotel management fees (where paid by Regal REIT to the Hotel Manager); (d) annual rent reviews under the Lease Agreements and details of the Market Rental Packages determined by the jointly appointed independent professional property valuer; and (e) any breach of terms of any of the above documents covered by the waiver.

(vi) Auditors' review procedures

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

- (a) have received the approval of the Board (including the approval of all its Independent Non-executive Directors); and

- (b) have been entered into in accordance with the terms of the agreements/deeds and the Manager's internal procedures governing the transactions.

(vii) Review by the Independent Non-executive Directors

The Independent Non-executive Directors shall review the relevant connected party transactions annually and confirm in Regal REIT's annual report for the relevant financial period that such transactions have been entered into:

- (a) in the ordinary and usual course of business of Regal REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable to Regal REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements or deeds and the Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the best interests of the Unitholders as a whole.

(viii) Access to books and records

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

(ix) Notifications to the SFC

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

(x) 8.14 of the REIT Code

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

2.5 Approvals Required

Pursuant to the CCPT Waiver, material changes to the terms and conditions of the Lease Agreements and Lease Guarantees shall require the approval of Independent Unitholders by Ordinary Resolution. For good corporate governance, the Manager will also seek approval for the CCPT Waiver Extensions from the Independent Unitholders by way of an Ordinary Resolution.

If the Lease Matters Requiring Approval are not approved by the Independent Unitholders: (a) the Lease Agreements shall terminate on 31 December 2020; and (b) the Manager will explore entering into a new lease agreement with a new lessee so that the Initial Hotels will continue to be leased following the termination of the Lease Agreements. However, this may involve risks that could adversely affect the financial performance of Regal REIT. A new lessee may affect Regal REIT's track record and business continuity, and an incoming lessee's interests may not be aligned with the interests of the existing Hotel Manager. Conflicts between a new lessee and the existing Hotel Manager may affect the smooth operation of the Initial Hotels and could have a material adverse impact on the financial performance of Regal REIT. Further, Regal REIT's growth strategy may be affected if Regal Hotels is discouraged from introducing new acquisition opportunities to Regal REIT. Further, the hotel management base fee and incentive fee payable by Regal REIT to the Hotel Manager under the hotel management agreements in respect of the Initial Hotels will increase, which may have a material adverse impact on the financial performance of Regal REIT. For further details of such risks, please refer to section 2.3 above.

Accordingly, the Manager shall seek Independent Unitholders' approval for the Lease Matters Requiring Approval at the EGM, as set out in Ordinary Resolution No. 1. Such Ordinary Resolution will be decided on a poll at the EGM pursuant to the Trust Deed.

2.6 Opinion of the Board

The Board (including all the Independent Non-executive Directors but excluding Directors interested in the matters below) confirms that in its opinion:

- (a) the Lease Extensions/Amendments and the Lease Guarantee Extensions, collectively, are: (i) the best available deal for Regal REIT; (ii) entered into in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; and (iii) fair and reasonable and in the best interests of Independent Unitholders, as well as the Unitholders as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager. In forming such view, the Board has considered (among other things) the reasons and benefits referred to in section 2.3 above; and
- (b) the CCPT Waiver Extensions, and the basis for the CCPT Waiver Extensions, are fair and reasonable having regard to the interests of the Independent Unitholders, as well as the Unitholders as a whole.

Further, the Board confirms that: (a) the Lease Agreements continue to be conducted in the ordinary and usual course of business of Regal REIT; and (b) the currently applicable terms of the Lease Agreements and the Lease Guarantees, as amended and/or extended, are on normal commercial terms and at arm's length and are fair and reasonable and in the best interests of Independent Unitholders and Regal REIT as a whole. The Board recommends that the Independent Unitholders vote in favour of the Ordinary Resolution which will be proposed at the EGM to approve the Lease Matters Requiring Approval.

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

2.7 Opinion of the Independent Financial Adviser

Altus Capital Limited, appointed by the Manager as the Independent Financial Adviser, is of the view that:

- (a) the Lease Extensions/Amendments and the Lease Guarantee Extensions, collectively, are: (i) the best available deal for Regal REIT; (ii) entered into in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; and (iii) fair and reasonable and in the best interests of the Independent Unitholders, as well as the Unitholders as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager; and
- (b) the CCPT Waiver Extensions, and the basis for the CCPT Waiver Extensions, are fair and reasonable having regard to the interests of the Independent Unitholders, as well as the Unitholders as a whole.

Further, the Independent Financial Adviser is of the view that: (a) the Lease Agreements and the Lease Guarantees, as amended and/or extended, continue to be conducted in the ordinary and usual course of business of Regal REIT; and (b) the currently applicable terms of the Lease Agreements and the Lease Guarantees, as amended and/or extended, are on normal commercial terms and at arm's length, and are fair and reasonable and in the best interests of Independent Unitholders as well as the Unitholders as a whole.

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

2.8 Opinion of the Independent Board Committee

The Independent Board Committee, comprising all the Independent Non-executive Directors (other than Mr. Bowen Joseph LEUNG Po Wing, GBS, JP and Hon. Abraham SHEK Lai Him, GBS, JP, who are independent non-executive directors of Paliburg, being the controlling shareholder of Regal Hotels which is the parent company of the Lessee), has been established by the Board to advise the Independent Unitholders on the Lease Matters Requiring Approval.

Altus Capital Limited has been appointed as the Independent Financial Adviser to provide its opinion on, among other things, the Lease Extensions/Amendments and the Lease Guarantee Extensions, to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

Having taken into account the opinion of and reasons considered by the Independent Financial Adviser, the Independent Board Committee confirms that in its opinion:

- (a) the Lease Extensions/Amendments and the Lease Guarantee Extensions, collectively, are: (i) the best available deal for Regal REIT; (ii) entered into in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; and (iii) fair and reasonable and in the best interests of Independent Unitholders, as well as the Unitholders as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager;
- (b) the CCPT Waiver Extensions, and the basis for the CCPT Waiver Extensions, are fair and reasonable having regard to the interests of the Independent Unitholders, as well as the Unitholders as a whole; and
- (c) the Lease Agreements and the Lease Guarantees, as amended and/or extended, continue to be conducted in the ordinary and usual course of business of Regal REIT; and the currently applicable terms of the Lease Agreements and the Lease Guarantees, as amended and/or extended, are on normal commercial terms and at arm's length, and are fair and reasonable and in the best interests of Independent Unitholders as well as the Unitholders as a whole.

The Independent Board Committee recommends that the Independent Unitholders vote in favour of the Ordinary Resolution which will be proposed at the EGM to approve the Lease Matters Requiring Approval.

Colliers International (Hong Kong) Limited has been appointed as the Independent Hotel Expert to provide its opinion on whether the Lease Extensions/Amendments and the Lease Guarantee Extensions are entered into on normal commercial terms and consistent with normal business practice for contracts of the relevant type entered into by other comparable trusts, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager. Taking into account the Letter from the Independent Financial Adviser, the Independent Board Committee considers the appointment of the Independent Hotel Expert to be acceptable. Details of the Independent Hotel Expert's opinion are set out in the section headed "Principal Factors and Reasons Considered" of the "Letter from the Independent Financial Adviser" in the Circular.

2.9 Trustee's view

Based and in sole reliance on: (a) the information and assurances provided by the Manager; (b) the opinion and recommendation of the Board; (c) the opinion of the Independent Financial Adviser; (d) the opinion of the Independent Board Committee; and (e) the previous Market Rental Packages determined by the Independent Professional Property Valuer, and having taken into account its duties set out in the Trust Deed and the REIT Code, the Trustee is of the view that (a) the currently applicable terms of the Lease Agreements and the Lease Guarantees, as amended and/or extended, are fair and reasonable and in the best interests of Independent Unitholders as well as the Unitholders as a whole; and (b) the CCPT Waiver Extensions, and the basis for the CCPT Waiver Extensions, are fair and reasonable having regard to the interests of the Independent Unitholders, as well as the Unitholders as a whole. Taking into account the Letter from the Independent Financial Adviser and the opinions of the Board and the Independent Board Committee, the Trustee is of the view that the appointment of the Independent Hotel Expert is acceptable.

Based on the foregoing matters, the Trustee has no objection to the Manager proceeding with the currently applicable terms of the Lease Agreements and the Lease Guarantees, as amended and/or extended, and the CCPT Waiver Extensions, subject to approval of Independent Unitholders.

These views are furnished for the sole purpose of complying with 10.10(o) of the REIT Code, and are not to be taken as a recommendation or representation by the Trustee of the merits of the currently applicable terms of the Lease Agreements and the Lease Guarantees, as amended and/or extended.

The Trustee has not made any assessment of the merits or impact of (a) the currently applicable terms of the Lease Agreements and the Lease Guarantees, as amended and/or extended, (b) the CCPT Waiver Extensions, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the currently applicable terms of the Lease Agreements and the Lease Guarantees, as amended and/or extended, and the CCPT Waiver Extensions to consider the opinions of the Independent Financial Adviser and Independent Board Committee addressed to them and to seek their own additional financial or other professional advice.

3. NEW HOTEL MANAGEMENT AGREEMENT AND NEW CCPT WAIVER

3.1 Background

As stated in the Hotel Management Agreement Announcement, on 23 December 2010, Sonnix Limited (as the Owner) entered into the Hotel Management Agreement in respect of the iclub Wan Chai Hotel with Regal Hotels International Limited (as the Hotel Manager), a wholly-owned subsidiary of Regal Hotels, which will expire on 31 December 2020. As the aggregate amount of the hotel management fees and marketing fees payable under the existing Hotel Management Agreement was less than 5% of the net asset value of Regal REIT, the Hotel Management Agreement did not require Unitholder's approval at such time. However, consistent with the Manager's practice with respect to Regal REIT's other hotels, the Manager now wishes to apply for the New CCPT Waiver in connection with the New Hotel Management Agreement commencing from the expiry of the existing Hotel Management Agreement. The New CCPT Waiver shall be conditional upon Unitholders' approval for the New Hotel Management Agreement and the New CCPT Waiver Application which shall be sought at the upcoming EGM.

The Manager confirms that the summary below contains all the key terms of the current and new Hotel Management Agreement for the purposes of the upcoming EGM. For further details of the current Hotel Management Agreement, please refer to the Hotel Management Agreement Announcement.

(a) Key Terms of the Hotel Management Agreement

	Current Hotel Management Agreement	New Hotel Management Agreement
General	The Hotel Manager will be engaged to act as the exclusive operator and manager to supervise, direct and control the management, operation and promotion of the business of the hotel.	No change.
Operating Term	Commencing from 1 January 2011 and expiring on 31 December 2020.	Commencing from 1 January 2021 and expiring on 31 December 2030.
Operation of the hotel	<p>The Hotel Manager is required under the Hotel Management Agreement to operate the hotel solely under the “Regal iClub Hotel” brand name and to act in good faith, to exercise due care and diligence and with full control and discretion, to operate, manage and promote the business of the hotel, to provide all services lawfully or properly provided by a hotel of comparable standard as the hotel and to act in the best interests of the Owner with a view to optimising profit of the hotel.</p> <p>The Hotel Manager is required to submit to the Owner an annual operating budget for the Owner’s approval. If any part of the operating budget cannot be agreed by the Owner and the Hotel Manager, the items in dispute shall be referred to an independent expert for resolution and such resolution shall be final and binding upon the Owner and the Hotel Manager. The Hotel Manager shall operate the hotel in accordance with the approved operating budget and shall not deviate materially from the approved operating budget without the Owner’s prior written consent.</p>	<p>The Hotel Manager is required under the New Hotel Management Agreement to operate the hotel solely under the “iclub by Regal” brand name. The other provisions remain unchanged.</p> <p>No change.</p>

	Current Hotel Management Agreement	New Hotel Management Agreement
	<p>All hotel employees are to be employees of the Hotel Manager, and it has sole discretion and authority in the selection and employment of all hotel employees necessary for the proper operation of the hotel. However, the Hotel Manager shall obtain the Owner's approval (which shall not be unreasonably withheld) prior to selecting and employing the general manager and the financial controller of the hotel. All costs and expenses shall form part of the hotel operating expenses.</p> <p>The Hotel Manager is also required to maintain all licences in respect of the operation and management of the hotel.</p>	<p>No change.</p> <p>No change.</p>
Management Fee	<p>Base fee</p> <p>An amount equal to two percent (2%) of the gross revenues with respect to each fiscal year.</p> <p>Incentive fee</p> <p>An amount equal to five percent (5%) of the excess of the gross operating profit over the base fee and the fixed charges in respect of each fiscal year.</p>	<p>Base fee</p> <p>No change.</p> <p>Incentive fee</p> <p>No change.</p>
Marketing Fee and Reimbursable Marketing Expenses	<p>Marketing fee</p> <p>An amount no more than 1% of the total hotel revenue for the current fiscal year for the purposes of participating in national and international advertising and mandatory corporate marketing programs approved by the Owner in the operating budget.</p>	<p>Marketing fee</p> <p>No change.</p>

Current Hotel Management Agreement	New Hotel Management Agreement
Reimbursable marketing expenses	Reimbursable marketing expenses
<p>The Hotel Manager is also entitled to produce promotions and participate in trade shows and other sales activities for the hotel and all such costs (which are budgeted for and approved) shall be reimbursed to the Hotel Manager.</p>	No change.
Routine Repairs and Maintenance	<p>Routine repairs and maintenance are to be carried out by the Hotel Manager in accordance with an annual repairs and maintenance estimate to be approved by the Owner. The structural maintenance and repair of the hotel shall be the responsibility of the Hotel Manager and the costs shall form part of the hotel operating expenses for the hotel.</p>
Furniture, Fixtures and Equipment Reserve	<p>The Owner is required to maintain the FF&E Reserve which is to be contributed monthly in an amount equivalent to 2% of the total hotel revenue for the preceding calendar month as set out in the profit and loss statement. The contribution to FF&E Reserve will be adjusted annually after the receipt by the Owner of the applicable audited report. On or before 31 October in each fiscal year, the Hotel Manager shall submit to the Owner for approval, a proposed estimate of expenditure for the ensuing year for the necessary additions to and replacement of the hotel's FF&E.</p>

Current Hotel Management Agreement

New Hotel Management Agreement

The Hotel Manager may, in accordance with an FF&E budget approved by the Owner, withdraw money from the FF&E Reserve to pay for additions to, and replacement of the FF&E. The final decision as to whether or not to approve the FF&E budget shall be made by the Owner.

Failure of the Owner to disapprove shall be deemed to constitute its approval. In the event the aggregate estimates proposed in respect of the hotel shall exceed the aggregate accumulated balance of all the FF&E Reserves of the hotel, the final decision as to whether or not to approve the FF&E budget shall be made by the Owner.

Any amount remaining in the FF&E Reserve at the close of each fiscal year shall be carried forward and be retained in the FF&E Reserve for the subsequent fiscal year(s), but shall not be taken into account when calculating the contribution to the FF&E Reserve for the subsequent fiscal year(s).

Capital Additions

The Hotel Manager is required to submit a budget in respect of planned capital expenditure for the Owner's approval. The final decision as to whether or not to approve the capital budget or any changes thereto shall be made by the Owner.

No change.

Once approved, the Hotel Manager shall carry out capital additions in accordance with the approval of the Owner as to the design, construction standard, and other material aspects of the proposed capital alterations or additions.

Current Hotel Management Agreement

New Hotel Management Agreement

All costs relating to capital additions required to conform with legal requirements shall be borne by the Owner. All other costs and expenses of capital additions shall be borne by the Owner in the manner agreed from its own funds and shall not be paid from the hotel operating expenses or from the FF&E Reserve.

Insurance

The Owner is required to maintain property insurance including all FF&E and the Operating Equipment at not less than 100% of replacement costs. The Owner is also required to maintain business interruption insurance covering loss of profit for the Owner for a minimum period of 12 months resulting from interruption or cessation of operation of the hotel. The insurance premiums are treated as the hotel operating expenses.

The Hotel Manager is required to maintain third party liability insurance and other insurances against items like theft or damage to guests' properties with a combined single limit for each occurrence of not less than HK\$100,000,000 as well as workman compensation insurance, employers' liability insurance, insurances required by law and other insurances as the Hotel Manager shall deem necessary. The insurance premiums are treated as hotel operating expenses. The Owner will be included as an additional insured.

The Owner is required to maintain property insurance including all FF&E and the Operating Equipment at not less than 110% of replacement costs. The other provisions remain unchanged.

No change.

Current Hotel Management Agreement

New Hotel Management Agreement

If the Hotel Manager or the Owner hires an outside contractor for any repair or maintenance work for the hotel, the Hotel Manager or the Owner shall provide comprehensive general liability insurance insuring the contractor for the work being done. The Hotel Manager or the Owner will be included as an additional insured.

No change.

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

No change.

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

No change.

Brand Name

The Hotel Manager is required to maintain and to operate the hotel under the “Regal iClub Hotel” brand name.

The Hotel Manager is required to maintain and to operate the hotel under the “iclub by Regal” brand name.

Default and Termination	Current Hotel Management Agreement	New Hotel Management Agreement
	By either the Owner or the Hotel Manager	By either the Owner or the Hotel Manager.
	<p>Upon the occurrence of certain events, the non-defaulting party may terminate the Hotel Management Agreement by giving three (3) months' written notice. Such events include: (i) failure of the Hotel Manager to operate the iclub Wan Chai Hotel in accordance with the prescribed operating standards; and (ii) failure to perform any other covenant which has a material adverse impact on the operation of the iclub Wan Chai Hotel or the rights or duties of the parties under the Hotel Management Agreement and not cured within thirty (30) days after a written notice giving particulars of the breach is received by the defaulting party.</p>	No change.
	<p>Upon the occurrence of certain events, the non-defaulting party may terminate the Hotel Management Agreement immediately by serving a written notice of termination. Such events include: (i) failure by the Owner or the Hotel Manager to pay sums due for over thirty (30) days; (ii) bankruptcy, insolvency, a petition for reorganisation, appointment of a receiver or entering into of a judgment for bankruptcy against either the Owner or the Hotel Manager; (iii) any party to the Hotel Management Agreement ceasing to carry on business; and (iv) any change in the shareholding of the Hotel Manager which would result in the Hotel Manager ceasing to be a member of the Regal Group (unless as a result of reorganisation of the Regal Group, a member of the Regal Group becomes listed on SEHK and the Hotel Manager becomes a member of a group controlled by such listed company and Regal Hotels retains not less than 30% of such listed company).</p>	

	Current Hotel Management Agreement	New Hotel Management Agreement
Non-fault Based Early Termination	Not applicable.	<p>By the Owner</p> <p>Early termination provision giving the right to the Owner to terminate the Hotel Management Agreement at any time during the operating term of the Hotel Management Agreement by giving six (6) months' prior written notice to the Hotel Manager, subject to the Owner's payment of liquidated damages (being the management fees payable for three (3) fiscal years or the remainder of the operating term, whichever is shorter).</p>
Owner Obligation to Maintain Hotel Licence and Other Licences	<p>The Owner is required to maintain and renew a licence under the Hotel and Guesthouse Accommodation Ordinance (Chapter 349 of the Laws of Hong Kong) and other licences (including a general restaurant licence) to enable the Owner or the Hotel Manager to operate a hotel business. However, the Owner shall not be liable for any failure to renew such licences unless the failure is caused by the default of the Owner. All costs and expenses in relation to the maintenance and renewal for such licences shall be treated as hotel operating expenses save and except any such costs and expenses which constitute capital additions shall be borne by the Owner. The Hotel Manager shall comply with all the conditions under the licence as may be imposed by the relevant licensing authority from time to time and shall keep the Owner indemnified in respect of any breach of the conditions and associated liabilities caused by the default of the Hotel Manager.</p>	No change.

	Current Hotel Management Agreement	New Hotel Management Agreement
Modification to the Hotel Management Agreement	Any modification to the Hotel Management Agreement shall only be valid if signed by both the Owner and the Hotel Manager.	No change.

3.2 New Hotel Management Agreement

On 20 December 2019, the Owner and the Hotel Manager entered into a new Hotel Management Agreement on substantially the same terms as the current Hotel Management Agreement, the key differences being: (a) the operating term shall be for ten (10) years from 1 January 2021 to 31 December 2030; and (b) the inclusion of a non-fault based early termination provision as set out in the table below (the “**New Hotel Management Agreement**”).

Early Termination by the Owner (from 1 January 2011 to 31 December 2020)	Early Termination by the Owner (from 1 January 2021 to 31 December 2030)
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In the event of default by the Hotel Manager, as set out in the table in section 3.1 above.

In addition to the current default termination provisions, the New Hotel Management Agreement will contain a non-fault based early termination provision giving the right to the Owner to terminate the Hotel Management Agreement at any time during the operating term of the Hotel Management Agreement by giving six (6) months’ prior written notice to the Hotel Manager, subject to the Owner’s payment of liquidated damages (being the management fees payable for three (3) fiscal years or the remainder of the operating term, whichever is shorter).

Save for the amendments mentioned above, no other material changes would be made to the terms and conditions of the Hotel Management Agreement. In particular, the management fee payable by the Owner to the Hotel Manager in respect of the new operating term will reflect the current arrangement.

3.3 Reasons and Benefits; Risk Factors

The Manager considers that the New Hotel Management Agreement is: (a) the best available deal for Regal REIT; (b) entered into in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; and (c) fair and reasonable and in the best interests of Independent Unitholders and Regal REIT as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager. In forming this view, the Manager has, among other things, considered the following:

(a) Track Record and Continuity

The Hotel Management Agreement has been in place since 1 January 2011. Since then, the Hotel Manager has managed the iclub Wan Chai Hotel with due care and diligence, and met all of the performance tests under the Hotel Management Agreement. Further, the Hotel Manager has consistently been co-operative with the Owner on matters which require their joint input such as the determination and execution of operating and capital budgets.

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

Conversely, if the New Hotel Management Agreement is not entered into, the Manager would need to seek an alternative hotel manager to manage the iclub Wan Chai Hotel. The incoming hotel manager will have no operating history with the iclub Wan Chai Hotel, nor any track record on whether the incoming hotel manager will consistently meet its obligations under its hotel management agreement. Further, the iclub Wan Chai Hotel (formerly known as Regal iClub Hotel) has been operating under the "iclub" brand by the Hotel Manager since the commencement of its operations in December 2009, and the Owner would no longer be able to use the "iclub" brand for the iclub Wan Chai Hotel if the New Hotel Management Agreement is not entered into. The Manager considers that switching to a new hotel manager and rebranding the iclub Wan Chai Hotel could potentially confuse its

clientele and the market. Accordingly, there is a risk that the performance of the iclub Wan Chai Hotel may deteriorate under another hotel management agreement, which, in turn, may adversely affect the financial performance of Regal REIT.

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

Hotel management agreements will normally be entered into for relatively long periods. In the current case, the New Hotel Management Agreement is proposed to be for an operating term of ten (10) years. In the event that the Owner finds it commercially or otherwise more favourable or practicable to terminate the Hotel Management Agreement, the additional non-fault based early termination provision will entitle the Owner to do so by giving a six (6) months' prior written notice to the Hotel Manager anytime during the term of the Hotel Management Agreement and payment of liquidated damages (being the management fees payable for three (3) fiscal years or the remainder of the operating term, whichever is shorter).

The Manager considers that this right to unilaterally terminate the Hotel Management Agreement is favourable to Regal REIT and Regal REIT's Unitholders.

(c) Best Available Deal for Regal REIT

Having considered the potential inconsistencies that may arise from management strategies of different hotel managers, and the potential time, financial and administrative resources required for the Owner to liaise with multiple hotel managers, the Manager is of the view that, on balance, it is more commercially practical for Regal REIT to maintain only one hotel manager across all of its properties.

The Manager considers that, if there were to be a new hotel manager for iclub Wan Chai Hotel, a certain amount of time will be required by such new hotel manager to adapt to the existing business operations of the iclub Wan Chai Hotel and liaise with the Hotel Manager in respect of other iclub Hotels and the Owner. On the other hand, certain amounts of effort will also be needed from the Hotel Manager and the Owner to maintain the consistency of hotel management standards across the iclub Wan Chai Hotel and other iclub Hotels. The Manager wishes to keep the existing operations of the iclub Wan Chai Hotel intact, thereby maintaining the consistency of hotel management standards over all the iclub Hotels. It is also operationally more efficient for the Owner to liaise with just one hotel manager, and easier for the single hotel manager to implement its management strategies across all the iclub Hotels. Any changes in hotel

manager of the iclub Wan Chai Hotel may unnecessarily disrupt the operations of Regal REIT as a whole. Based on the foregoing, the Manager considers the New Hotel Management Agreement to be the best available deal for Regal REIT.

3.4 New CCPT Waiver Application

Upon entering into the New Hotel Management Agreement, members of Regal REIT will enter into transactions with connected persons in relation to the New Hotel Management Agreement in respect of the iclub Wan Chai Hotel. As a consequence, the Manager has made a submission to the SFC to apply for a new CCPT Waiver from strict compliance with the disclosure and unitholders' approval requirements of Chapter 8 of the REIT Code in respect of the New Hotel Management Agreement (the "**New CCPT Waiver**"), and such waiver will cease on the date of expiry (being 31 December 2030) or termination of such agreement, whichever is earlier (the "**New CCPT Waiver Application**").

The Manager undertakes that it will comply with the terms and conditions of the proposed New CCPT Waiver. Assuming: (i) the New Hotel Management Agreement and the New CCPT Waiver Application are approved by the Independent Unitholders; and (ii) the New CCPT Waiver Application is approved by the SFC, the following waiver conditions (the "**New CCPT Waiver Conditions**") will apply:

(i) Due Approval by Independent Unitholders

The New CCPT Waiver will only take effect upon the New Hotel Management Agreement and the New CCPT Waiver Application having been approved by the Independent Unitholders at the EGM by way of an Ordinary Resolution.

(ii) Duration

The New CCPT Waiver is for a period set out in the table below, provided that the connected party transactions are duly and properly carried out in accordance with the terms and conditions of the relevant documents.

Agreement/Deed	Period of Waiver granted
New Hotel Management Agreement in respect of the iclub Wan Chai Hotel	1 January 2021 to 31 December 2030 or date of termination, whichever is earlier

The Owner shall commence negotiations with the Hotel Manager for the possible further extension of the New Hotel Management Agreement at least two years before expiry of the operating term.

(iii) No material change

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

(iv) Disclosure in reports and results announcements

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

(v) Chapter 10 of the REIT Code

The Manager shall ensure compliance with any applicable disclosure requirements under Chapter 10 of the REIT Code. The Manager shall inform Unitholders by way of an announcement as soon as practicable of any information which is necessary to enable Unitholders to appraise the position of Regal REIT, including, without limitation, if there is: (a) any extension of the relevant completion date or long stop date and/or any delay in payment of liquidated damages or cash compensation as specified in the relevant documents; (b) any payments of hotel management fees (where paid by Regal REIT to the Hotel Manager); and (c) any breach of terms of any of the above documents covered by the waiver.

(vi) Auditors' review procedures

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

- (a) have received the approval of the Board (including the approval of all its Independent Non-executive Directors); and

- (b) have been entered into in accordance with the terms of the agreements/deeds and the Manager's internal procedures governing the transactions.

(vii) Review by the Independent Non-executive Directors

The Independent Non-executive Directors shall review the relevant connected party transactions annually and confirm in Regal REIT's annual report for the relevant financial period that such transactions have been entered into:

- (a) in the ordinary and usual course of business of Regal REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are insufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable to Regal REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements or deeds and the Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the best interests of the Unitholders as a whole.

(viii) Access to books and records

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

(ix) Notifications to the SFC

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

(x) 8.14 of the REIT Code

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

3.5 Approvals Required for the New CCPT Waiver Application

In accordance with the New CCPT Waiver Conditions, the Manager shall seek Independent Unitholders' approval for the New Hotel Management Agreement and the New CCPT Waiver Application at the EGM, as set out in Ordinary Resolution No. 2. Such Ordinary Resolution will be decided on a poll at the EGM pursuant to the Trust Deed. If such approval is not obtained, the New Hotel Management Agreement will not be entered into, and the Manager shall seek an alternative hotel manager for the iclub Wan Chai Hotel following the expiry of the existing Hotel Management Agreement.

3.6 Opinion of the Board

The Board (including all the Independent Non-executive Directors but excluding Directors interested in the matters below) confirms that in its opinion:

- (a) the New Hotel Management Agreement is: (i) the best available deal for Regal REIT; (ii) entered into in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; and (iii) fair and reasonable and in the best interests of the Independent Unitholders, as well as the Unitholders as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager; and
- (b) the New CCPT Waiver, and the basis for the New CCPT Waiver, is fair and reasonable having regard to the interests of the Independent Unitholders, as well as the Unitholders as a whole.

The Board recommends that the Independent Unitholders vote in favour of the Ordinary Resolution which will be proposed at the EGM to approve the New Hotel Management Agreement and the New CCPT Waiver Application.

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

3.7 Opinion of the Independent Financial Adviser

Altus Capital Limited, appointed by the Manager as the Independent Financial Adviser, is of the view that:

- (a) the New Hotel Management Agreement is: (i) the best available deal for Regal REIT; (ii) entered into in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; and (iii) fair and reasonable and in the best interests of the Independent Unitholders, as well as the Unitholders as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager; and
- (b) the New CCPT Waiver, and the basis for the New CCPT Waiver, is fair and reasonable having regard to the interests of the Independent Unitholders, as well as the Unitholders as a whole.

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

3.8 Opinion of the Independent Board Committee

The Independent Board Committee, comprising all the Independent Non-executive Directors (other than Mr. Bowen Joseph LEUNG Po Wing, GBS, JP and Hon. Abraham SHEK Lai Him, GBS, JP, who are independent non-executive directors of Paliburg, being the controlling shareholder of Regal Hotels which is the parent company of the Hotel Manager), has been established by the Board to advise the Independent Unitholders on the New Hotel Management Agreement and the New CCPT Waiver Application.

Altus Capital Limited has been appointed as the Independent Financial Adviser to provide its opinion on, among other things, the New Hotel Management Agreement and the New CCPT Waiver Application to the Independent Board Committee (as well as the Independent Unitholders and the Trustee).

Having taken into account the opinion of and reasons considered by the Independent Financial Adviser, the Independent Board Committee confirms that in its opinion:

- (a) the New Hotel Management Agreement is: (i) the best available deal for Regal REIT; (ii) entered into in the ordinary and usual course of business of Regal REIT on normal commercial terms and at arm's length; and (iii) fair and reasonable and in the best interests of the Independent Unitholders, as well as the Unitholders as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager; and
- (b) the New CCPT Waiver, and the basis for the New CCPT Waiver, is fair and reasonable having regard to the interests of the Independent Unitholders, as well as the Unitholders as a whole.

The Independent Board Committee recommends that the Independent Unitholders vote in favour of the Ordinary Resolution which will be proposed at the EGM to approve the New Hotel Management Agreement and the New CCPT Waiver Application.

Colliers International (Hong Kong) Limited has been appointed as the Independent Hotel Expert to provide its opinion on whether the New Hotel Management Agreement is entered into on normal commercial terms and consistent with normal business practice for contracts of the relevant type entered into by other comparable trusts, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager. Taking into account the Letter from the Independent Financial Adviser, the Independent Board Committee considers the appointment of the Independent Hotel Expert to be acceptable. Details of the Independent Hotel Expert's opinion are set out in the section headed "Principal Factors and Reasons Considered" of the "Letter from the Independent Financial Adviser" in the Circular.

3.9 Trustee's view

Based and in sole reliance on: (a) the information and assurances provided by the Manager; (b) the opinion and recommendation of the Board; (c) the opinion of the Independent Financial Adviser; and (d) the opinion of the Independent Board Committee, and having taken into account its duties set out in the Trust Deed and the REIT Code, the Trustee is of the view that:

- (a) the New CCPT Waiver is fair and reasonable so far as the Independent Unitholders are concerned, and in the best interests of Independent Unitholders as well as the Unitholders as a whole. Taking into account the Letter from the Independent Financial Adviser, the Trustee considers the appointment of the Independent Hotel Expert to be acceptable; and

- (b) the key terms of the New Hotel Management Agreement are fair and reasonable and in the best interests of the Independent Unitholders, as well as the Unitholders as a whole, notwithstanding that no specific deals with alternative parties having been sought or considered by the Manager.

Based on the foregoing matters, the Trustee has no objection to: (i) the Manager proceeding with the New CCPT Waiver; and (ii) the entering into the New Hotel Management Agreement by the Hotel Manager, subject to approval of Independent Unitholders.

These views are furnished for the sole purpose of complying with 10.10(o) of the REIT Code, and are not to be taken as a recommendation or representation by the Trustee of the merits of the New CCPT Waiver or the terms and provisions of the New Hotel Management Agreement.

The Trustee has not made any assessment of the merits or impact of the New CCPT Waiver and the terms and provisions of the New Hotel Management Agreement, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the New CCPT Waiver and the terms and provisions of the New Hotel Management Agreement, to consider the opinions of the Independent Financial Adviser and Independent Board Committee addressed to them and to seek their own additional financial or other professional advice.

4. GENERAL

The Circular containing among other things: (a) a letter from the Board to the Unitholders containing details of, among other things, the Lease Matters Requiring Approval, the New Hotel Management Agreement and the New CCPT Waiver; (b) a letter from the Independent Board Committee; (c) a letter from the Independent Financial Adviser, and (d) the notice of the EGM, has been issued on the date hereof and will be despatched to Unitholders as soon as practicable.

For a list of the documents that will be made available for inspection from the date of the Circular up to and including the date of the EGM, please refer to the Circular.

5. EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held at 11:00 a.m. on Wednesday, 15 January 2020 at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong, for the purpose of considering and, if thought fit, passing with or without amendments, the EGM Resolutions set out in the Circular.

The register of Unitholders will be closed from Friday, 10 January 2020 to Wednesday, 15 January 2020, both days inclusive, to determine which Unitholders will qualify to attend and vote at the EGM, during which period no transfers of Units will be effected. For those Unitholders who are not already on the register of Unitholders, in order to qualify to attend and vote at the EGM, all Unit certificates accompanied by the duly completed transfer documents must be lodged with unit registrar of Regal REIT, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 a.m. on 9 January 2020.

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

Further, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in a resolution tabled for approval at a general meeting of the Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting its Units at or being counted in the quorum for the general meeting.

The Lessee and the Hotel Manager are both wholly-owned subsidiaries of Regal Hotels. As such, Regal Hotels has a material interest in the EGM Resolutions in respect of the Lease Matters Requiring Approval, the New Hotel Management Agreement and the New CCPT Waiver Application to be proposed at the EGM. Pursuant to the REIT Code and the Trust Deed, Regal Hotels has agreed that it will abstain, and will procure that its Associates (including without limitation, Century City, Paliburg and their subsidiaries and the Manager) will abstain, from voting on the EGM Resolutions in respect of the Lease Matters Requiring Approval, the New Hotel Management Agreement and the New CCPT Waiver Application (except for voting pursuant to a proxy under a specific direction given by Independent Unitholder(s) to vote for or against such EGM Resolutions on his or their behalf). As at the Latest Practicable Date, the aggregate number of Units held by Regal Hotels and its Associates was 2,443,033,102, which represents approximately 74.99% of the total Units in issue.

To the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager takes the view that save as disclosed above, no other Unitholders are required to abstain from voting at the EGM in respect of the EGM Resolutions and based on the foregoing information, the Trustee is of the same view.

DEFINITIONS

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

Associate(s)	shall bear the meaning as defined in the REIT Code
Audit Committee	the audit committee of the Manager
Board	the board of Directors of the Manager
CCPT Waiver	has the meaning ascribed to this term in section 2.4 of this announcement headed “Lease Matters Requiring Approval — CCPT Waiver Extensions”
CCPT Waiver Extensions	has the meaning ascribed to this term in section 2.4 of this announcement headed “Lease Matters Requiring Approval — CCPT Waiver Extensions”
Century City	Century City International Holdings Limited (Stock code: 355), a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the SEHK
Circular	the circular to the Unitholders dated 20 December 2019 which, among other things, provides the EGM Notice and further information on the Lease Matters Requiring Approval, the New Hotel Management Agreement and the New CCPT Waiver
connected person	has the meaning ascribed to it in the REIT Code
Directors	the directors of the Manager
EGM	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
EGM Notice	the notice included in the Circular in respect of the EGM to consider and, if thought fit, approve the EGM Resolutions
EGM Resolutions	the Ordinary Resolutions to be passed at the EGM, as set out in the EGM Notice and explained in the Circular

Extended Period	(i) in respect of the Lease Agreements for the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel, the extended ten-year lease period from 1 January 2021 to 31 December 2030 pursuant to the relevant Supplemental Lease Agreements; and (ii) in respect of the Lease Agreement for the Regal Airport Hotel, the extended eight-year-less-four-day lease period from 1 January 2021 to 27 December 2028 pursuant to the relevant Supplemental Lease Agreement
FF&E	has the meaning ascribed to this term in the Hotel Management Agreement Announcement
FF&E Reserve	has the meaning ascribed to this term in the Hotel Management Agreement Announcement
HK\$ or Hong Kong Dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Hotel Management Agreement	the hotel management agreement entered into between the Owner and the Hotel Manager in connection with the management of the iclub Wan Chai Hotel
Hotel Management Agreement Announcement	the announcement dated 23 December 2010 issued by the Manager in connection with the entry into of the Hotel Management Agreement
Hotel Manager	Regal Hotels International Limited, a company incorporated in Hong Kong which is a wholly-owned subsidiary of Regal Hotels
iclub Fortress Hill Hotel	the iclub Fortress Hill Hotel situated at 18 Merlin Street, North Point, Hong Kong
iclub Hotels	the iclub Wan Chai Hotel, the iclub Fortress Hill Hotel, the iclub Sheung Wan Hotel and the iclub Ma Tau Wai Hotel
iclub Ma Tau Wai Hotel	the iclub Ma Tau Wai Hotel situated at 8 Ha Heung Road, Ma Tau Wai, Hong Kong

iclub Sheung Wan Hotel	the iclub Sheung Wan Hotel situated at 138 Bonham Strand, Sheung Wan, Hong Kong
iclub Wan Chai Hotel	the iclub Wan Chai Hotel situated at 211 Johnston Road, Wan Chai, Hong Kong
Independent Board Committee	the independent committee of the Board (comprising Mr. John William CRAWFORD, JP and Mr. Kai Ole RINGENSON, both of whom are Independent Non-executive Directors who have no direct or indirect interests in the Lease Matters Requiring Approval, the New Hotel Management Agreement and the New CCPT Waiver) which has been established to advise the Independent Unitholders in respect of the Lease Matters Requiring Approval, the New Hotel Management Agreement and the New CCPT Waiver Application
Independent Financial Adviser	Altus Capital Limited, a licensed corporation to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities for the purposes of the SFO
Independent Hotel Expert	Colliers International (Hong Kong) Limited, a real estate consultant having over 16 years of experience in hotel capital valuations, management agreement and rental advisory, feasibility studies, asset management and transaction advisory services, and a track record of projects across Asia Pacific including Hong Kong, dealing with institutional investors, private equity firms, and high net worth individuals specifically on hospitality investments and assets of REIT and non-REIT nature
Independent Non-executive Directors	the independent non-executive directors of the Manager as at the date of the Circular
Independent Professional Property Valuer	The independent professional property valuer jointly appointed by the parties to the Lease Agreements

Independent Unitholder(s)	Unitholder(s) other than those who have a material interest in the relevant EGM Resolutions and who are entitled to vote at the EGM
Initial Hotels	the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel and “Initial Hotel” means any one of them
Latest Practicable Date	13 December 2019
Lease Agreement(s)	has the meaning ascribed to this term in section 2.1 of this announcement headed “Lease Matters Requiring Approval — Background”
Lease Extensions/Amendments	has the meaning ascribed to this term in section 2.2 of this announcement headed “Lease Matters Requiring Approval — Lease Extensions/Amendments and Lease Guarantee Extensions”
Lease Extension Circular	the circular dated 13 March 2015 issued by the Manager in connection with the extension of the Lease Agreements for a further five years until 31 December 2020
Lease Guarantee(s)	has the meaning ascribed to this term in section 2.1 of this announcement headed “Lease Matters Requiring Approval — Background”
Lease Guarantee Extensions	has the meaning ascribed to this term in section 2.2 of this announcement headed “Lease Matters Requiring Approval — Lease Extensions/Amendments and Lease Guarantee Extensions”
Lease Matters Requiring Approval	collectively, the Lease Extensions/Amendments, the Lease Guarantee Extensions and the CCPT Waiver Extensions
Lessee	Favour Link International Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Regal Hotels

Lessors	the respective direct owners of the Initial Hotels (being (i) Bauhinia Hotels Limited, in relation to the Regal Airport Hotel, (ii) Cityability Limited, in relation to the Regal Hongkong Hotel, (iii) Ricobem Limited, in relation to the Regal Kowloon Hotel, (iv) Gala Hotels Limited, in relation to the Regal Oriental Hotel and (v) Regal Riverside Hotel Limited, in relation to the Regal Riverside Hotel) and “Lessor” means any one of them
Listing Date	30 March 2007, being the date on which the Units were first listed and from which dealings of the Units were permitted to take place on the SEHK
Manager	Regal Portfolio Management Limited (in its capacity as the manager of Regal REIT), a company incorporated in Hong Kong and a wholly-owned subsidiary of Regal Hotels
Market Rental Package(s)	the market rental package(s) determined by the Independent Professional Property Valuer, including the amount of market rents (including base rent and variable rent), the Lessee’s contribution to the furniture, fixtures and equipment reserve and the amount of the security deposit
New CCPT Waiver	has the meaning ascribed to this term in section 3.4 of this announcement headed “New Hotel Management Agreement and New CCPT Waiver — New CCPT Waiver Application”
New CCPT Waiver Application	has the meaning ascribed to this term in section 3.4 of this announcement headed “New Hotel Management Agreement and New CCPT Waiver — New CCPT Waiver Application”
New CCPT Waiver Conditions	has the meaning ascribed to this term in section 3.4 of this announcement headed “New Hotel Management Agreement and New CCPT Waiver — New CCPT Waiver Application”

New Hotel Management Agreement	has the meaning ascribed to this term in section 3.2 of this announcement headed “New Hotel Management Agreement and New CCPT Waiver — New Hotel Management Agreement”
Offering Circular	the offering circular dated 19 March 2007 issued by the Manager in connection with the listing of the Units on the SEHK by way of global offering
Operating Equipment	has the meaning ascribed to this term in the Hotel Management Agreement Announcement
Ordinary Resolution	a resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions contained in the Trust Deed and carried by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy
Owner	Sonnix Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Regal REIT
Paliburg	Paliburg Holdings Limited (Stock code: 617), a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on SEHK
REIT(s)	real estate investment trust(s)
Regal Hotels	Regal Hotels International Holdings Limited (Stock code: 78), a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the SEHK
Regal REIT	Regal Real Estate Investment Trust, a collective investment scheme constituted by the Trust Deed as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time, the units of which are listed on the SEHK, and where the context requires, the companies controlled by it
REIT Code	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified

SEHK	The Stock Exchange of Hong Kong Limited
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified and the rules thereunder
Supplemental Agreements	collectively, the Supplemental Lease Agreements and the Supplemental Lease Guarantees
Supplemental Lease Agreement(s)	the supplemental deed(s) amending the relevant Lease Agreement dated 20 December 2019 between the same parties to the relevant Lease Agreement
Supplemental Lease Guarantee(s)	the supplemental deed(s) amending the relevant Lease Guarantee dated 20 December 2019 between the same parties to the relevant Lease Guarantee
Trust Deed	the trust deed constituting Regal REIT dated 11 December 2006, entered into between the Trustee and the Manager, as supplemented by a first supplemental deed dated 2 March 2007, a second supplemental deed dated 15 May 2008, a third supplemental deed dated 8 May 2009, a fourth supplemental deed dated 23 July 2010, a fifth supplemental deed dated 3 May 2011, a sixth supplemental deed dated 21 July 2011 and a seventh supplemental deed dated 14 April 2015 all entered into between the same parties (as may be further amended and supplemented from time to time)
Trustee	DB Trustees (Hong Kong) Limited, in its capacity as trustee of Regal REIT, or such other person as may from time to time be appointed as the trustee of Regal REIT. All references to the Trustee in the Circular are, as the context may require, to the Trustee acting on behalf of Regal REIT and on the instructions of the Manager
Unit	one undivided unit in Regal REIT

Unitholders

holders of a Unit from time to time

Waiver Conditions

has the meaning ascribed to this term in section 2.4 of this announcement headed “Lease Matters Requiring Approval — CCPT Waiver Extensions”

%

per centum or percentage

Yours faithfully,

By Order of the Board

Regal Portfolio Management Limited

(as manager of Regal Real Estate Investment Trust)

Simon LAM Man Lim

Executive Director

Hong Kong, 20 December 2019

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