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MAJOR TRANSACTION

**SALE AND PURCHASE OF SHEUNG WAN HOTEL
AND
OPTION REGARDING SALE AND PURCHASE OF NORTH POINT HOTEL**

A letter from the board of directors of Paliburg Holdings Limited is set out on pages 7 to 33 of this circular.

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DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (excluding, Saturdays, Sundays and public holidays) on which commercial banks are open for business in Hong Kong and the Stock Exchange is open for trading
“Century City”	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 355)
“Company”	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued Shares are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“Deposit”	a deposit of HK\$948 million, which is refundable in limited circumstances, and payable by the Trustee to P&R Holdings under the Share Purchase Agreement
“Directors”	the directors of the Company
“Facility Letter”	the facility letter to be entered into by the Trustee (as borrower) and P&R Finance Limited (as lender) in respect of the Vendor Facility
“Fortune Group”	Fortune Mine and its subsidiary
“Fortune Mine”	Fortune Mine Limited
“Group”	the Company and its subsidiaries
“Guarantors”	the Company and Regal
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hotels”	the Sheung Wan Hotel and the North Point Hotel collectively
“Hotel Manager”	Regal Hotels International Limited, a wholly-owned subsidiary of Regal
“Interior Fit-Out Agency Deed(s)”	the agency deed to be entered into between the SW Property Company or the NP Property Company (as the case may be) and the Interior Fit-Out Agent upon completion of the SW Hotel Transaction or the NP Hotel Transaction (as the case may be)

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“Interior Fit-Out Agent”	P&R Contracting Agency Limited, a wholly-owned subsidiary of P&R Holdings, to be appointed by the SW Property Company or the NP Property Company (as the case may be) to enter into Interior Fit-Out Contracts on its behalf under the Interior Fit-Out Programme
“Interior Fit-Out Contracts”	all construction contracts and/or other contracts in relation to the carrying out of the relevant Interior Fit-Out Programme to be entered into by the SW Property Company or the NP Property Company (as the case may be), or to be entered into by the Interior Fit-Out Agent (as agent for and on behalf of the SW Property Company or the NP Property Company, as the case may be), with the relevant contractors and/or project consultants and/or other professional advisers whose services are from time to time engaged in connection with the execution of the relevant Interior Fit-Out Programme
“Interior Fit-Out Long Stop Date”	the date falling six months after completion of the SW Hotel Transaction or the NP Hotel Transaction (as the case may be)
“Interior Fit-Out Programme”	the interior fit-out programme in relation to the Sheung Wan Hotel or the North Point Hotel (as the case may be)
“Latest Practicable Date”	26 June 2013, being the latest practicable date for ascertaining certain information in this circular before the printing of this circular
“Lessee”	Favour Link International Limited, a wholly-owned subsidiary of Regal
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2014 in respect of the Share Purchase Agreement or 30 September 2014 in respect of the Option Agreement (as the case may be), or such later date as may be agreed between P&R Holdings and the Trustee (acting on the recommendation and at the direction of the Manager)
“Manager”	Regal Portfolio Management Limited, the manager of Regal REIT and a wholly-owned subsidiary of Regal
“March 2013 Notes”	the unlisted and unsecured notes due 2018 with an interest rate of 4.125% per annum issued by the MTN Issuer in March 2013 under the Regal REIT MTN Programme with an aggregate principal amount of HK\$775 million

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“May 2013 Notes”	the listed and unsecured notes due 2018 with an interest rate of 4.10% per annum issued by the MTN Issuer in May 2013 under the Regal REIT MTN Programme with an aggregate principal amount of US\$150 million
“MTN Issuer”	R-REIT International Finance Limited, a wholly-owned subsidiary of Regal REIT
“North Point Hotel”	a hotel located at Nos. 14-20 Merlin Street, North Point, Hong Kong
“Notes”	the notes issued and to be issued by the MTN Issuer from time to time pursuant to the Regal REIT MTN Programme, including the March 2013 Notes and the May 2013 Notes
“NP Hotel Transaction”	pursuant to the exercise of the Option, (a) the acquisition by the Trustee (acting on the instructions of the Manager) (or its nominee) of the entire issued share capital of Fortune Mine; and (b) the assignment of the NP Shareholder Loan to the Trustee
“NP Lease Agreement”	the lease agreement in respect of the lease of the North Point Hotel by the Lessee from the NP Property Company
“NP Property Company”	Wise Decade Investments Limited, a wholly-owned subsidiary of Fortune Mine
“NP Shareholder Loan”	all amounts due (including principal, interests and other sums (if any)), owing or payable by Fortune Mine to P&R Holdings
“NP Transaction Documents”	collectively, (1) the Option Agreement; and (2) the documents pursuant to the exercise of the Option including (i) the loan assignment of the NP Shareholder Loan; (ii) the deed of tax indemnity to be given by P&R Holdings and the Guarantors in relation to the NP Hotel Transaction; (iii) the Interior Fit-Out Agency Deed; (iv) the hotel management agreement in relation to the management of the North Point Hotel by the Hotel Manager; (v) the NP Lease Agreement; and (vi) the lease guarantee to be given by Regal in relation to the aforesaid lease
“Option”	the grant of a call option by P&R Holdings to the Trustee entitling Real REIT (or its trustee or nominee) in its sole discretion to acquire the entire issued share capital of Fortune Mine and to be assigned the NP Shareholder Loan

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“Option Agreement”	the agreement dated 28 June 2013 entered into between the Company, the Manager, the Trustee, P&R Holdings and Regal in relation to the Option
“Option Fee”	a sum of HK\$10 million payable by the Trustee to P&R Holdings under the Option Agreement
“Option Period”	the period commencing from the date that the occupation permit for the North Point Hotel is granted (as notified by P&R Holdings to the Trustee) and ending 30 days from such date
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“Plentiful Group”	Plentiful Investments and its subsidiary
“Plentiful Investments”	Plentiful Investments Limited
“PRC”	the People’s Republic of China
“P&R Holdings”	P&R Holdings Limited, a joint venture established and owned by a wholly-owned subsidiary of the Company and a wholly-owned subsidiary of Regal as to 50% each
“Refundable Cash Collateral”	a refundable sum of HK\$990 million payable by the Trustee to P&R Holdings under the Option Agreement
“Regal”	Regal Hotels International Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 78)
“Regal Group”	Regal and its subsidiaries
“Regal REIT”	Regal Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under section 104 of the SFO, the issued units of which are listed on the Main Board of the Stock Exchange (Stock Code: 1881)
“Regal REIT MTN Programme”	the US\$1 billion medium term note programme established by Regal REIT on 11 January 2013, details of which were set out in Regal REIT’s announcement dated 11 January 2013
“REIT Code”	the Code on Real Estate Investment Trusts published by the SFC (as amended from time to time)
“Savills”	Savills Valuation and Professional Services Limited, the independent valuer in respect of the Hotels

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“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Purchase Agreement”	the sale and purchase agreement dated 28 June 2013 entered into between the Company, the Manager, the Trustee, P&R Holdings and Regal in respect of the SW Hotel Transaction
“Shareholders”	holders of Shares
“Shares”	ordinary shares of par value HK\$0.10 each in the capital of the Company
“Sheung Wan Hotel”	a hotel located at Nos. 132-140 Bonham Strand, Sheung Wan, Hong Kong
“sqm”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SW Hotel Completion”	completion of the Share Purchase Agreement
“SW Hotel Purchase Price”	the consideration of HK\$1,580 million payable by the Trustee to P&R Holdings pursuant to the Share Purchase Agreement
“SW Hotel Transaction”	(a) the acquisition by the Trustee (acting on the instructions of the Manager) (or its nominee) of the entire issued share capital of Plentiful Investments; and (b) the assignment of the SW Shareholder Loan to the Trustee, on the terms and subject to the conditions of the Share Purchase Agreement
“SW Lease Agreement”	the lease agreement in respect of the lease of the Sheung Wan Hotel by the Lessee from the SW Property Company
“SW Property Company”	Tristan Limited, a wholly-owned subsidiary of Plentiful Investments
“SW Shareholder Loan”	all amounts due (including principal, interests and other sums (if any)), owing or payable by Plentiful Investments to P&R Holdings

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“SW Transaction Documents”	collectively, (1) the Share Purchase Agreement; (2) the loan assignment of the SW Shareholder Loan; (3) the deed of tax indemnity to be given by P&R Holdings and the Guarantors in relation to the SW Hotel Transaction; (4) the Interior Fit-Out Agency Deed; (5) the hotel management agreement in respect of the management of the Sheung Wan Hotel by the Hotel Manager; (6) the SW Lease Agreement; and (7) the lease guarantee to be given by Regal in relation to the aforesaid lease
“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 and a sixth supplemental deed dated 21 July 2011 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
“Unitholders”	holders of the units of Regal REIT from time to time
“Vendor Facility”	the two-year unsecured term loan facility under the Facility Letter, details of which are set out in the paragraph headed “Vendor Facility” in this circular
“Waiver Application”	the application for waiver from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code in respect of Regal REIT’s new continuing connected transactions arising from the SW Hotel Transaction or the NP Hotel Transaction (as the case may be)

LETTER FROM THE BOARD



Executive Directors:

Mr. LO Yuk Sui (*Chairman and Chief Executive Officer*)

Mr. Donald FAN Tung (*Chief Operating Officer*)

Mr. Jimmy LO Chun To

Miss LO Po Man

Mr. Kenneth NG Kwai Kai

Mr. Kenneth WONG Po Man

Independent non-executive Directors:

Mr. Bowen Joseph LEUNG Po Wing, GBS, JP

Mr. NG Siu Chan

Hon. Abraham SHEK Lai Him, SBS, JP

Mr. WONG Chi Keung

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Causeway Bay

Hong Kong

29 June 2013

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

SALE AND PURCHASE OF SHEUNG WAN HOTEL AND OPTION REGARDING SALE AND PURCHASE OF NORTH POINT HOTEL

INTRODUCTION

Reference is made to the announcements jointly issued by the Company, Century City and Regal dated 11 January 2013, 28 February 2013, 30 April 2013 and 28 June 2013.

On 11 January 2013, P&R Holdings and the Manager (in its capacity as manager of Regal REIT) entered into a memorandum of understanding pursuant to which P&R Holdings proposed to grant call options to the Manager entitling Regal REIT (or its trustee or nominee) to acquire the entire issued share capital of and the shareholder loans to Plentiful Investments (which, through its wholly-owned subsidiary, owns the Sheung Wan Hotel) and the entire issued share capital of and the shareholder loans to Fortune Mine (which, through its wholly-owned subsidiary, owns the North Point Hotel).

On 28 June 2013 (after trading hours), instead of entering into an option agreement for the sale and purchase of Plentiful Investments, P&R Holdings and the Trustee (in its capacity as trustee of

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Regal REIT), among other parties, entered into the Share Purchase Agreement pursuant to which Regal REIT will acquire from P&R Holdings the entire issued share capital of and the shareholder loans to Plentiful Investments for a consideration of HK\$1,580 million. On even date, P&R Holdings and the Trustee, among other parties, entered into the Option Agreement pursuant to which P&R Holdings will grant the Option to the Trustee entitling it to acquire the entire issued share capital of and the shareholder loans to Fortune Mine.

P&R Holdings and Regal REIT are subsidiaries of the Company. The SW Hotel Transaction, the Option and the exercise of the Option in aggregate constitute a major transaction for the Company subject to Shareholders' approval under the Listing Rules. The SW Hotel Transaction, the Option and the exercise of the Option have been approved by a closely allied group of Shareholders by way of written approval.

The purpose of this circular is to provide you with further information in relation to the SW Hotel Transaction and the Option.

SALE AND PURCHASE OF SHEUNG WAN HOTEL

The Share Purchase Agreement

Date: 28 June 2013

Parties:

1. P&R Holdings (as vendor)
2. Trustee, in its capacity as trustee and on behalf of Regal REIT (as purchaser)
3. Manager, in its capacity as manager of Regal REIT
4. Regal and the Company (as guarantors)

P&R Holdings and Regal REIT are subsidiaries of the Company. The Company (through a wholly-owned subsidiary) holds 50% equity interest in P&R Holdings while the remaining 50% is held by a wholly-owned subsidiary of Regal. As at the Latest Practicable Date, the Company, through its wholly-owned subsidiaries, held approximately 51.3% of the issued share capital of Regal, and Regal held approximately 74.5% of the issued units of Regal REIT.

Subject assets: Pursuant to the Share Purchase Agreement, Regal REIT will acquire from P&R Holdings: (i) the entire issued share capital of Plentiful Investments; and (ii) the SW Shareholder Loan as at the date of completion which amounted to HK\$245.6 million as at the Latest Practicable Date.

Upon completion of the SW Hotel Transaction, Plentiful Investments will be wholly owned by Regal REIT (a subsidiary of the Company) and Plentiful Investments will remain to be a subsidiary of the Company, but the effective equity interest in Plentiful Investments attributable to the Company will reduce from approximately 75.65% to approximately 38.22%.

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Consideration: HK\$1,580 million, plus a customary adjustment on a dollar-for-dollar basis for the current assets (such as all receivables, refundable utility and other deposits placed with relevant authorities or suppliers and all cash and deposits at bank) of the Plentiful Group as at the SW Hotel Completion, provided that such current assets adjustment will be capped at HK\$1.5 million. As at 31 December 2012, the current assets of the Plentiful Group amounted to HK\$0.1 million. Apart from the Sheung Wan Hotel and the current assets, the Plentiful Group does not have any other assets. P&R Holdings and the Guarantors have warranted that the Plentiful Group shall not have any liabilities other than the SW Shareholder Loan at the SW Hotel Completion.

The consideration was determined after arm's length negotiation between the parties taking into account the valuation of the Sheung Wan Hotel of HK\$1,580 million as of 25 June 2013 as appraised by Savills and completion of the Interior Fit-Out Programme of the Sheung Wan Hotel, the SW Shareholder Loan to be acquired by Regal REIT pursuant to the SW Hotel Transaction and that the Plentiful Group shall not have any liabilities other than the SW Shareholder Loan at the SW Hotel Completion. The Directors consider that the consideration and its basis are fair reasonable. Details of the valuation are set out in Appendix II to this circular.

Deposit and payment terms: Within two Business Days following the satisfaction of the conditions precedent (a) and (b) to the completion of the SW Hotel Transaction as set out below, the Trustee shall pay the Deposit to P&R Holdings in cash.

The Deposit will not be deposited into an escrow account, and pursuant to the Share Purchase Agreement, the Deposit may be used by P&R Holdings without restriction.

P&R Holdings shall pay interest quarterly on the Deposit at the higher of:

- (a) 4.25% per annum which is the interest rate of the notes due 2017 issued by Regal pursuant to its medium term note programme; and
- (b) the weighted average effective interest cost to Regal REIT (taking into account the interest rate, issue price, placement fees and commissions) of the Notes used to finance the payment of the Deposit.

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Currently, the Manager intends to finance the payment of the Deposit from the proceeds of the March 2013 Notes and the May 2013 Notes, which have a weighted average effective interest cost of 4.3047% per annum. In this case, the Deposit shall accrue interest at 4.3047% per annum.

The Deposit will be refundable in full upon the termination of the Share Purchase Agreement. The Guarantors have guaranteed the obligations of P&R Holdings pursuant to the Share Purchase Agreement, and this would include the refund of such Deposit.

At the SW Hotel Completion, the Deposit and any interest accrued and unpaid in respect of the same will be applied against part of the SW Hotel Purchase Price. Payments of the Deposit and the remaining consideration may be financed by a combination of the proceeds of Notes issued from time to time pursuant to the Regal REIT MTN Programme, existing and/or new bank facilities secured against the Sheung Wan Hotel and/or other assets held by Regal REIT, and/or Regal REIT's internal resources. In the event of any shortfall in the funding required for the completion of the SW Hotel Transaction, Regal REIT may also draw down on the Vendor Facility to fund the shortfall.

Conditions precedent:

The SW Hotel Completion is conditional upon the satisfaction or waiver of the following conditions:

- (a) each of the Guarantors and Century City, obtaining its shareholders' and/or independent shareholders' approval of the transactions contemplated under the Share Purchase Agreement in accordance with their respective articles of association or bye-laws and the Listing Rules (as the case may be);
- (b) approval by the independent Unitholders of (i) the transactions contemplated under the Share Purchase Agreement and other transactions contemplated under, associated with and/or related to the SW Hotel Transaction; (ii) the transactions contemplated under the Facility Letter and other transactions contemplated under, associated with and/or related to the Vendor Facility; and (iii) the Waiver Application in accordance with the Trust Deed and REIT Code;

LETTER FROM THE BOARD

- (c) the Manager being satisfied with the results of (i) its inspection and investigation as to the Plentiful Group, including without limitation the financial, legal and contractual, taxation and trading position of the members of the Plentiful Group and the title of the members of the Plentiful Group to their respective assets (including, without limitation, the Sheung Wan Hotel), and (ii) its physical and technical inspection and investigation of the Sheung Wan Hotel as evidenced by the receipt of a building survey or other report in form and substance satisfactory to the Manager confirming that the building construction and finishes have been completed in compliance with the plans and specifications as set out in the Share Purchase Agreement;
- (d) the Manager approving the title to the Sheung Wan Hotel and being satisfied that the SW Property Company has good marketable legal and beneficial title to the Sheung Wan Hotel (in accordance with the provisions of section 13 of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong));
- (e) the occupation permit required under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for the Sheung Wan Hotel having been obtained;
- (f) all necessary consents or waivers being granted by third parties (including any governmental or official authorities) in connection with the transactions contemplated under the SW Transaction Documents and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the entire issued share capital of Plentiful Investments, the assignment of the SW Shareholder Loan and/or the operation of the business by any member of the Plentiful Group after the SW Hotel Completion having been proposed, enacted or taken by any governmental or official authority;

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- (g) the Trustee and the Manager being provided with such evidence as they may reasonably require confirming (to the satisfaction of the Manager and the Trustee) that all indebtedness under the existing bank loans of the Plentiful Group shall be discharged, all shares in the capital of Plentiful Investments and the SW Property Company shall be released from all encumbrances, and all other security created by Plentiful Investments and the SW Property Company in connection with such existing bank loan (including, without limitation, the existing mortgage) shall be released, on or before the SW Hotel Completion;
- (h) the warranties remaining true and accurate and not misleading in any material respect at the SW Hotel Completion;
- (i) each of P&R Holdings and the Guarantors having complied fully with certain customary pre-completion obligations and otherwise having performed in all material respects all of the covenants and agreements required to be performed by them under the SW Transaction Documents; and
- (j) no compulsory acquisition or resumption of the Sheung Wan Hotel and no notice of such intention received from any governmental authority.

The Trustee (at the direction of the Manager) may in its sole discretion waive any of the conditions precedent, other than the conditions set out in paragraphs (a) to (g) above (subject to the REIT Code, the Listing Rules and any other applicable laws or regulation). If any of the conditions have not been satisfied or waived prior to the Long Stop Date, then the Trustee (acting on the recommendation and at the direction of the Manager) may, at its option without any penalty, (a) postpone the date by which the conditions must be satisfied or waived; or (b) terminate the Share Purchase Agreement (whereby the Deposit together with any interest accrued and unpaid shall be refunded to the Trustee).

SW Hotel Completion:

Within five Business Days of the satisfaction or waiver (as the case may be) of the aforesaid conditions precedent to the SW Hotel Completion, the Trustee shall (acting on the recommendation and at the direction of the Manager) give a notice to P&R Holdings confirming that the Trustee is prepared to proceed with completion of the SW Hotel Transaction. Completion of the SW Hotel Transaction shall take place on such date as may be agreed in writing between the Trustee and P&R Holdings following the giving of such notice, and in any event within 10 Business Days of the giving of such notice.

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Construction undertakings: P&R Holdings and the Guarantors (on a several basis in equal proportions) shall procure the SW Property Company to cause its building contractors to promptly and diligently proceed with and complete the building construction works in a proper and workmanlike manner in accordance with the relevant building contract plans and specifications and all applicable laws and regulations. The building contract plans and specifications are to be consistent with the plans and specifications set out in the Share Purchase Agreement, and no deviation from such specifications is to be made without the Manager's prior written approval. The key specifications of the Sheung Wan Hotel is set out in the paragraph headed "Information on Plentiful Investments and the Sheung Wan Hotel".

Each of P&R Holdings and the Guarantors (on a several basis in equal proportions) has undertaken to indemnify the Trustee, Plentiful Investments and the SW Property Company in respect of losses which may be incurred by any of them arising out of or in connection with the failure by P&R Holdings or the Guarantors to comply with any of their obligations under this construction undertaking.

Interior Fit-Out Programme: P&R Holdings undertakes that following the SW Hotel Completion, it shall complete, or procure the completion of, the Interior Fit-Out Programme at its sole cost and expense. The estimated costs for such works are HK\$75.2 million and will primarily be: (a) finishing works on interior flooring, walls and ceilings of the guestrooms, lobbies or corridors, hotel office and other areas of the Sheung Wan Hotel; and (b) procurement and installation in each guest room of the related furniture, fixtures and equipment (including but not limited to minibar fridge, cabinets and television). Detailed specifications of the Interior Fit-Out Programme shall be submitted to the Manager for approval and any change thereof shall also be approved by the Manager in advance.

By no later than the Interior Fit-Out Long Stop Date, P&R Holdings shall complete, or procure the completion of, the Interior Fit-Out Programme and hand over to the Manager and the SW Property Company each relevant part of the premises subject to the programme and will also deliver to the SW Property Company all necessary fire permits, hotel licences, and relevant government department consents, approvals and other licences, so that such part of the premises can be fit and lawful for letting to hotel guests and other occupants (as the case may be), and otherwise in a condition satisfactory to the Manager.

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To facilitate the carrying out of the Interior Fit-Out Programme, the Interior Fit-Out Agent (a wholly-owned subsidiary of P&R Holdings) and the Guarantors will, at the SW Hotel Completion, enter into an Interior Fit-Out Agency Deed whereby the SW Property Company appoints the Interior Fit-Out Agent to manage and settle the Interior Fit-Out Contracts on its behalf.

Representations, warranties
and indemnity:

The Share Purchase Agreement contains customary representations and warranties given by P&R Holdings and the Guarantors, including those in respect of P&R Holdings, the Plentiful Group and the Sheung Wan Hotel. The Share Purchase Agreement also contains representations and warranties given by P&R Holdings and the Guarantors to the effect that:

- (a) the Plentiful Group shall not, at completion of the SW Hotel Transaction, have any liabilities other than the SW Shareholder Loan that will also be acquired by the Trustee;
- (b) the members of the Plentiful Group shall, at completion of the SW Hotel Transaction, have no other operations other than the ownership of the Sheung Wan Hotel; and
- (c) the Sheung Wan Hotel shall, at completion of the SW Hotel Transaction, comply with the building specifications described below under the paragraph headed “Information on Plentiful Investments and the Sheung Wan Hotel”.

P&R Holdings and the Guarantors (on a several basis in equal proportions) have undertaken to indemnify Regal REIT and the Plentiful Group for any loss, damages, costs (including legal costs), expenses and other liabilities which Regal REIT or the Plentiful Group may suffer as a result of any breach of the warranties.

The Share Purchase Agreement also sets out limitations on the liability of P&R Holdings and the Guarantors in respect of any breach of warranties. The maximum aggregate liability of P&R Holdings and the Guarantors in respect of all claims for breach of warranties under the Share Purchase Agreement shall not exceed the SW Hotel Purchase Price. The Share Purchase Agreement provides for a limitation period of 3 years from the SW Hotel Completion for all claims (other than claims relating to tax-related warranties, in which case the limitation period is 7 years).

Guarantee:

The obligations of P&R Holdings under the Share Purchase Agreement are guaranteed by each of the Guarantors on a several basis in equal proportions.

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Deed of tax indemnity: P&R Holdings and the Guarantors will at the completion of the SW Hotel Transaction, enter into a deed of tax indemnity in favour of the Trustee and the Plentiful Group. Pursuant to the deed, P&R Holdings and the Guarantors (on a several basis in equal proportions) will covenant, undertake and agree with the respective beneficiaries that they will indemnify on demand the respective beneficiaries in respect of, among other things, any liability for taxation resulting from or by reference to any event occurring on or before the completion of the SW Hotel Transaction or in respect of any income, profits or gains earned, accrued or received by the Plentiful Group on or before the completion of the SW Hotel Transaction. A claim can be made on or prior to the seventh anniversary of the deed.

Undertaking by P&R Holdings

Upon completion of the SW Hotel Transaction, the Lessee (a wholly-owned subsidiary of Regal) will lease the Sheung Wan Hotel from the SW Property Company (which will become a wholly-owned subsidiary of Regal REIT then). Under the SW Lease Agreement, the rental payable by the Lessee to the SW Property Company amounts to HK\$79 million, HK\$82.95 million and HK\$86.9 million (representing 5%, 5.25% and 5.5% of the SW Hotel Purchase Price) respectively for each of the first three years of the lease.

Subject to the SW Lease Agreement becoming effective and the Lessee committing no default and breach under the SW Lease Agreement during the first three years of the lease term under the SW Lease Agreement, P&R Holdings undertakes that:

- (i) for the period from the SW Hotel Completion until completion of the Interior Fit-Out Programme and obtaining the relevant hotel licence for the Sheung Wan Hotel, P&R Holdings shall reimburse the Lessee in full the amount (including rent) payable by the Lessee to the SW Property Company under the SW Lease Agreement; and
- (ii) for the period from completion of the Interior Fit-Out Programme and obtaining the relevant hotel licence for the Sheung Wan Hotel until the end of the third year of the lease under the SW Lease Agreement, P&R Holdings shall reimburse the Lessee in full any shortfall in case that the income to be derived by the Lessee from the Sheung Wan Hotel would not be sufficient to cover the payments (including rent) under the SW Lease Agreement for the corresponding period.

Each of the payments set out in (i) and (ii) above shall be payable by P&R Holdings to the Lessee within seven days after the receipt from the Lessee of a calculation schedule as certified by the auditors of the Lessee, save for any manifest mistake.

The Sheung Wan Hotel is a new hotel. During the period from the SW Hotel Completion until obtaining the relevant hotel licence, the Sheung Wan Hotel will not be in operation generating income and it was agreed that P&R Holdings shall provide reimbursement to the Regal Group equivalent to

LETTER FROM THE BOARD

the amount payable under the SW Lease Agreement during such period. In view that the Sheung Wan Hotel is a new hotel subject to start-up risks, during the period from obtaining the relevant hotel licence until the end of the third year of the lease under the SW Lease Agreement, it was agreed that P&R Holdings shall provide reimbursement to the Regal Group in respect of any shortfall of the net income of the hotel below the amount payable under the SW Lease Agreement during such period.

Information on Plentiful Investments and the Sheung Wan Hotel

Plentiful Investments was incorporated in the British Virgin Islands on 30 April 1992 and has been wholly owned by P&R Holdings since 6 May 2011. The Plentiful Group is engaged in the investment and development of the Sheung Wan Hotel. The key specifications of the Sheung Wan Hotel is as follows.

Location:	Nos. 132-140 Bonham Strand, Sheung Wan, Hong Kong
No. of guestrooms and suites:	248 guestrooms comprising 223 standard rooms, 18 one-bedroom suites and 7 two-bedroom suites
No. of storeys:	34 storeys
Gross floor area:	Approximately 7,197 sqm
Covered floor area:	Approximately 9,617 sqm
Facilities:	A lobby lounge and a business center

Development of the Sheung Wan Hotel commenced in 2011. The superstructure works of the hotel are in progress. The occupation permit for the Sheung Wan Hotel required under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) is expected to be granted by the Building Authority in the fourth quarter of 2013 and on this basis, the operation of the Sheung Wan Hotel is anticipated to commence in or around the first quarter of 2014. Branded as a “iclub by Regal (富薈酒店)” hotel, the Sheung Wan Hotel will be managed and operated by the Regal Group following obtaining the relevant hotel licences. “iclub by Regal (富薈酒店)” is a new brand introduced by the Regal Group and is positioned to be “an upscale select-service hotel brand” complementing the “Regal” brand’s full service offering.

For the years ended 31 December 2011 and 2012, Plentiful Investments recorded consolidated net loss (both before and after tax) of approximately HK\$172,000 and HK\$126,000 respectively. As at 31 December 2012, Plentiful Investments had consolidated net assets (taking into account bank borrowings and shareholder’s loans) of approximately HK\$2.5 million. Before the bank borrowings and the shareholder’s loans, Plentiful Investments had consolidated net assets of approximately HK\$449 million as at 31 December 2012. According to the valuation report of the Sheung Wan Hotel prepared by Savills, as set out in Appendix II to this circular, the Sheung Wan Hotel was valued at HK\$1,580 million on an as-completed basis as at 25 June 2013. As agreed between the parties, the Sheung Wan Hotel is to be sold on an as-completed basis pursuant to which P&R Holdings shall complete the Interior Fit-Out Programme of the Sheung Wan Hotel and obtain the relevant hotel

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licence. As such, it is fair and reasonable that the Sheung Wan Hotel is valued on an as-completed basis. The consideration for the SW Hotel Transaction which is based on the independent valuation of the Sheung Wan Hotel would represent a surplus of HK\$1,131 million over the net asset value of the Plentiful Group as at 31 December 2012 before its bank borrowing and shareholder loan.

OPTION IN RELATION TO SALE AND PURCHASE OF NORTH POINT HOTEL

The Option Agreement

- Date: 28 June 2013
- Parties:
1. P&R Holdings (as grantor)
 2. Trustee, in its capacity as trustee and on behalf of Regal REIT (as grantee)
 3. Manager, in its capacity as manager of Regal REIT
 4. Regal and the Company (as guarantors)
- Subject assets under exercise of the Option: Pursuant to the exercise of the Option, Regal REIT will acquire from P&R Holdings: (i) the entire issued share capital of Fortune Mine; and (ii) the NP Shareholder Loan as at the date of completion which amounted to HK\$276.4 million as at the Latest Practicable Date.
- Upon completion of the disposal of Fortune Mine pursuant to the exercise of the Option, Fortune Mine will be wholly owned by Regal REIT (a subsidiary of the Company) and Fortune Mine will remain to be a subsidiary of the Company, but the effective equity interest in Fortune Mine attributable to the Company will reduce from approximately 75.65% to approximately 38.22%.
- Option Period: The Option may only be exercised during the period commencing from the date that the occupation permit for the North Point Hotel is granted (as notified by P&R Holdings to the Trustee) and ending 30 days from such date.
- The Trustee (on behalf of Regal REIT and acting on the instructions of the Manager) has the sole discretion to exercise the Option during the Option Period.

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Conditions precedent to the grant of the Option:

The grant of the Option is conditional upon the satisfaction of the following conditions:

- (a) each of Century City and the Company obtaining its shareholders' approval of the NP Hotel Transaction in accordance with their respective articles of association or bye-laws and the Listing Rules (as the case may be);
- (b) Regal obtaining approval from its independent shareholders in respect of the grant of the Option to Regal REIT; and
- (c) approval by the independent Unitholders of (i) the transactions contemplated by the NP Transaction Documents; (ii) the transactions contemplated under the Facility Letter and other transactions contemplated under, associated with and/or related to the Vendor Facility; and (iii) the Waiver Application in accordance with the Trust Deed and REIT Code.

If any of the conditions have not been satisfied prior to 5:00 p.m. Hong Kong time on 30 September 2013 (or such later date as may be agreed by P&R Holdings and the Trustee (acting on the recommendation and at the direction of the Manager)), then the Option Agreement shall terminate.

Option Fee:

Within two Business Days following the satisfaction of the conditions to the grant of the Option, the Trustee shall pay to P&R Holdings in cash an Option Fee of HK\$10 million. The Option Fee shall be refundable only if:

- (a) the occupation permit in respect of the North Point Hotel is not obtained by the Long Stop Date;
- (b) the Manager or Trustee is not satisfied with its due diligence in respect of the North Point Hotel;
- (c) the condition to the exercise of the Option has not been satisfied within three months from the date of the exercise notice (except where this is due to the fault of Regal REIT);
- (d) completion of the NP Hotel Transaction does not occur due to the fault of P&R Holdings;
- (e) the updated appraised value for the North Point Hotel is greater than HK\$2,000 million or lower than HK\$1,300 million and the Manager or Trustee decide not to proceed to seek additional approval of the independent Unitholders before exercising the Option; or

LETTER FROM THE BOARD

- (f) the Option Agreement is terminated by the Trustee on the grounds that (i) P&R Holdings and the Guarantors have committed a material breach of warranties or any other term set out in the Option Agreement; or (ii) Fortune Mine or the NP Property Company has committed a material breach of the negative covenants set out in the Option Agreement.

If the Option is exercised, the Option Fee will be applied to settle part of the adjusted Final Exercise Price (as detailed under the section headed “Option exercise price adjustment” under “The Option Agreement”).

The Option Fee was determined after arm’s-length negotiation between the parties taking into account the timing of the Option Period, the initial exercise price of the Option and the adjustments to the initial exercise price as set out below.

Refundable Cash Collateral: Within two Business Days following the satisfaction of the conditions to the grant of the Option, the Trustee shall pay to P&R Holdings in cash the Refundable Cash Collateral.

The Refundable Cash Collateral will not be deposited into an escrow account, and may be used by P&R Holdings without restriction.

P&R Holdings shall pay interest quarterly on the Refundable Cash Collateral at the higher of:

- (a) 4.25% per annum which is the interest rate of the notes due 2017 issued by Regal pursuant to its medium term note programme; and
- (b) the weighted average effective interest cost to Regal REIT (taking into account the interest rate, issue price, placement fees and commissions) of the Notes used to finance the payment of the Refundable Cash Collateral.

Currently, the Manager intends to finance the payment of the Refundable Cash Collateral from the proceeds of the March 2013 Notes and the May 2013 Notes, which have a weighted average effective interest cost of 4.3047% per annum. In this case, the Refundable Cash Collateral shall accrue interest at 4.3047% per annum.

LETTER FROM THE BOARD

The Refundable Cash Collateral, together with any interest accrued and unpaid, will be refundable in full upon the earlier of (i) the expiry of the Option; (ii) the termination of the Option Agreement; and (iii) the completion of the NP Hotel Transaction. The Guarantors have guaranteed the obligations of P&R Holdings pursuant to the Option Agreement, and this would include the refund of such Refundable Cash Collateral.

Option initial exercise price: HK\$1,650 million, which was determined with reference to the valuation of the North Point Hotel on an as-completed basis of HK\$1,650 million as of 25 June 2013 as appraised by Savills and completion of the Interior Fit-Out Programme of the North Point Hotel taking into account that the NP Shareholder Loan is to be acquired by Regal REIT pursuant to the NP Hotel Transaction (upon exercise of the Option) and that the Fortune Group shall not have any liabilities other than the NP Shareholder Loan at completion of the NP Hotel Transaction. The Directors consider that the Option initial exercise price and its basis are fair and reasonable. Details of the valuation are set out in Appendix III to this circular. The initial exercise price is subject to the following adjustment.

Option exercise price adjustment: An updated valuation (by Savills) will be conducted as of the last month end date before the grant of the occupation permit in respect of the North Point Hotel. The initial exercise price shall be adjusted:

- (a) if the updated appraised value is lower than the initial appraised value, the exercise price will be adjusted to the updated appraised value; or
- (b) if the updated appraised value is higher than the initial appraised value, the exercise price will be adjusted to the average of the initial and updated appraised values.

The adjusted exercise price (“**Final Exercise Price**”) shall be subject to a further customary adjustment on a dollar-for-dollar basis for the current assets (such as all receivables, refundable utility and other deposits placed with relevant authorities or suppliers and all cash and deposits at bank) of the Fortune Group as at completion of the NP Hotel Transaction, provided that such current assets adjustment will be capped at HK\$1.5 million. As at 31 December 2012, the current assets of the Fortune Group amounted to HK\$0.1 million. Apart from the North Point Hotel and the current assets, the Fortune Group does not have any other assets. P&R Holdings and the Guarantors have warranted in the Option Agreement that the Fortune Group shall not have any liabilities other than the NP Shareholder Loan at completion of the NP Hotel Transaction.

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The Final Exercise Price is determined after arm's-length negotiation between the parties taking into account the updated appraised value of the North Point Hotel to be conducted by Savills, the NP Shareholder Loan to be acquired by Regal REIT under the NP Hotel Transaction and that the Fortune Group shall not have any liabilities other than the NP shareholder Loan at completion of the NP Hotel Transaction. The Directors consider that the Final Exercise Price and its basis are fair and reasonable.

The adjusted Final Exercise Price shall not be less than HK\$1,300 million and not be more than HK\$1,826.5 million (unless otherwise agreed between the parties) and it shall be payable by the Trustee in cash at completion of the NP Hotel Transaction.

At the completion of the NP Hotel Transaction, the Option Fee and the Refundable Cash Collateral and any of its accrued and unpaid interest will be applied to settle part of the adjusted Final Exercise Price. It is expected that the Option Fee, the Refundable Cash Collateral and the remaining adjusted Final Exercise Price will be financed by funds raised from issue of Notes pursuant to the Regal REIT MTN Programme, existing and/or new bank facilities secured against the North Point Hotel and/or other assets held by Regal REIT, and/or Regal REIT's internal resources. In the event of any shortfall in the funding required for the completion of the NP Hotel Transaction, Regal REIT may also draw down on the Vendor Facility to fund the shortfall.

Conditions precedent to the exercise of the Option:

The Trustee (acting on the instructions of the Manager) may choose to conditionally exercise the Option by delivering an exercise notice to P&R Holdings within the Option Period. Before delivering the exercise notice, the Manager shall be satisfied with the results of its due diligence in respect of the North Point Hotel, including being satisfied that the acquisition of the North Point Hotel will comply with REIT Code requirements. The exercise notice will become unconditional (and the Option will be exercised) once all relevant and applicable provisions of the REIT Code (in the case of Regal REIT) and the Listing Rules (in the case of the Guarantors and Century City, where applicable) have been complied with, including any further unitholder or shareholder approvals required under such code and rules.

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If such conditions are not satisfied within three months from the date of the exercise notice, or such later date as may be agreed by P&R Holdings and the Trustee (acting on the recommendation and at the direction of the Manager), then the Option will lapse with effect from the aforementioned date and the NP Hotel Transaction will not complete.

Completion of the NP Hotel Transaction shall take place within 10 Business Days from the day on which the exercise notice becomes unconditional.

Expiry:

The Option will expire (unless otherwise mutually agreed) if:

- (a) the updated appraised value for the North Point Hotel is greater than HK\$2,000 million or lower than HK\$1,300 million;
- (b) the occupation permit for the North Point Hotel is not obtained by the Long Stop Date;
- (c) the exercise notice is not delivered during the Option Period;
or
- (d) the condition to the exercise of the Option has not been satisfied within three months from the date of the exercise notice, or such later date as may be agreed by P&R Holdings and the Trustee (acting on the recommendation and at the direction of the Manager).

For the avoidance of doubt, in the event that the updated appraised value of the North Point Hotel exceeds HK\$2,000 million or falls below HK\$1,300 million and that the parties to the Option Agreement mutually agree that the Option shall not automatically expire, the Company, Century City and/or Regal shall seek shareholders' or independent shareholders' approval and the Manager shall seek additional approval of the independent Unitholders in respect of the exercise of the Option.

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Construction undertakings: P&R Holdings and the Guarantors (on a several basis in equal proportions) shall procure the NP Property Company to cause its building contractors to promptly and diligently proceed with and complete the building construction works in a proper and workmanlike manner in accordance with the relevant building contract plans and specifications and all applicable laws and regulations. The building contract plans and specifications are to be consistent with the plans and specifications as set out in the Option Agreement, and no deviation from such specifications is to be made without the Manager's prior written approval. The key specifications of the North Point Hotel are set out in the paragraph headed "Information on Fortune Mine and the North Point Hotel".

Each of P&R Holdings and the Guarantors (on a several basis in equal proportions) has undertaken to indemnify the Trustee, Fortune Mine and the NP Property Company in respect of losses which may be incurred by any of them arising out of or in connection with the failure by P&R Holdings or the Guarantors to comply with any of their obligations under this construction undertaking.

Interior Fit-Out Programme: P&R Holdings undertakes that following the completion of the NP Hotel Transaction, it shall complete, or procure the completion of, the Interior Fit-Out Programme at its sole cost and expense. The estimated costs for such works are HK\$99.3 million and will primarily be: (a) finishing works on interior flooring, walls and ceilings of the guestrooms, lobbies or corridors, hotel office and other areas of the North Point Hotel; and (b) procurement and installation in each guest room of the related furniture, fixtures and equipment (including but not limited to minibar fridge, cabinets and television). Detailed specifications and fittings and fixtures on the Interior Fit-Out Programme shall be submitted to the Manager for approval and any change thereof shall also be approved by the Manager in advance.

By no later than the Interior Fit-Out Long Stop Date, P&R Holdings shall complete, or procure the completion of, the Interior Fit-Out Programme and hand over to the Manager and the NP Property Company each relevant part of the premises subject to the programme and will also deliver to the NP Property Company all necessary fire permits, hotel licences, and relevant government department consents, approvals and other licences, so that such part of the premises can be fit and lawful for letting to hotel guests and other occupants (as the case may be), and otherwise in a condition satisfactory to the Manager.

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To facilitate the carrying out of the Interior Fit-Out Programme, the Interior Fit-Out Agent (a wholly-owned subsidiary of P&R Holdings) and the Guarantors will, at the completion of the NP Hotel Transaction, enter into an Interior Fit-Out Agency Deed whereby the NP Property Company appoints the Interior Fit-Out Agent to manage and settle the Interior Fit-Out Contracts on its behalf.

Representations, warranties
and indemnity:

The Option Agreement contains customary representations and warranties given by P&R Holdings and the Guarantors, including those in respect of P&R Holdings, the Fortune Group and the North Point Hotel. The Option Agreement also contains representations and warranties given by P&R Holdings and the Guarantors to the effect that:

- (a) the Fortune Group shall not, at completion of the NP Hotel Transaction, have any liabilities other than the NP Shareholder Loan that will also be acquired by the Trustee;
- (b) the members of the Fortune Group shall, at completion of the NP Hotel Transaction, have no other operations other than the ownership of the North Point Hotel; and
- (c) the North Point Hotel shall, at completion of the NP Hotel Transaction, comply with the building specifications described below under the paragraph headed “Information on Fortune Mine and the North Point Hotel”.

P&R Holdings and the Guarantors (on a several basis in equal proportions) have undertaken to indemnify Regal REIT and the Fortune Group for any loss, damages, costs (including legal costs), expenses and other liabilities which Regal REIT or the Fortune Group may suffer as a result of any breach of the warranties.

The Option Agreement also sets out limitations on the liability of P&R Holdings and the Guarantors in respect of any breach of warranties. The maximum aggregate liability of P&R Holdings and the Guarantors in respect of all claims for breach of warranties under the Option Agreement shall not exceed the Final Exercise Price.

The Option Agreement provides for a limitation period of 3 years from the completion of the NP Hotel Transaction for all claims (other than claims relating to tax-related warranties, in which case the limitation period is 7 years).

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- Guarantee: All obligations of P&R Holdings under the Option Agreement are guaranteed by each of the Guarantors on a several basis in equal proportions.
- Deed of tax indemnity: P&R Holdings and the Guarantors will at the completion of the NP Hotel Transaction enter into a deed of tax indemnity in favour of the Trustee and the Fortune Group. Pursuant to the deed, P&R Holdings and the Guarantors (on a several basis in equal proportions) will covenant, undertake and agree with the respective beneficiaries that they will indemnify on demand the respective beneficiaries in respect of, among other things, any liability for taxation resulting from or by reference to any event occurring on or before the completion of the NP Hotel Transaction or in respect of any income, profits or gains earned, accrued or received by the Fortune Group on or before the completion of the NP Hotel Transaction. A claim can be made on or prior to the seventh anniversary of the deed.

Undertaking by P&R Holdings

Upon completion of the NP Hotel Transaction (if the Option is exercised), the Lessee (a wholly-owned subsidiary of Regal) will lease the North Point Hotel from the NP Property Company (which will become a wholly-owned subsidiary of Regal REIT then). Under the NP Lease Agreement, the rental payable by the Lessee to the NP Property Company amounts to 5%, 5.25% and 5.5% of the Final Exercise Price for the NP Hotel Transaction respectively for each of the first three years of the lease.

Subject to the NP Lease Agreement becoming effective and the Lessee committing no default and breach under the NP Lease Agreement during the first three years of the lease term under the NP Lease Agreement, P&R Holdings undertakes that:

- (i) for the period from the completion of the NP Hotel Transaction until completion of the Interior Fit-Out Programme and obtaining the relevant hotel licence for the North Point Hotel, P&R Holdings shall reimburse the Lessee in full the amount (including rent) payable by the Lessee to the NP Property Company under the NP Lease Agreement; and
- (ii) for the period from completion of the Interior Fit-Out Programme and obtaining the relevant hotel licence for the North Point Hotel until the end of the third year of the lease under the NP Lease Agreement, P&R Holdings shall reimburse the Lessee in full any shortfall in case that the income to be derived by the Lessee from the North Point Hotel would not be sufficient to cover the payments (including rent) under the NP Lease Agreement for the corresponding period.

Each of the payments set out in (i) and (ii) above shall be payable by P&R Holdings to the Lessee within seven days after the receipt from the Lessee of a calculation schedule as certified by the auditors of the Lessee, save for any manifest mistake.

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The North Point Hotel is a new hotel. During the period from the completion of the NP Hotel Transaction until obtaining the relevant hotel licence, the North Point Hotel will not be in operation generating income and it was agreed that P&R Holdings shall provide reimbursement to the Regal Group equivalent to the amount payable under the NP Lease Agreement during such period. In view that the North Point Hotel is a new hotel subject to start-up risks, during the period from obtaining the relevant hotel licence until the end of the third year of the lease under the NP Lease Agreement, it was agreed that P&R Holdings shall provide reimbursement to the Regal Group in respect of any shortfall of the net income of the hotel below the amount payable under the NP Lease Agreement during such period.

Information on Fortune Mine and the North Point Hotel

Fortune Mine was incorporated in the British Virgin Islands on 23 May 2011 and has been wholly owned by P&R Holdings since 2 June 2011. The Fortune Group is engaged in the investment and development of the North Point Hotel. The key specifications of the North Point Hotel is as follows:

Location:	Nos. 14-20 Merlin Street, North Point, Hong Kong
No. of guestrooms:	338 guestrooms
No. of storeys:	32 storeys
Gross floor area:	Approximately 6,849 sqm
Covered floor area:	Approximately 9,393 sqm
Facilities:	A lobby lounge and a business center

Development of the North Point Hotel commenced in 2011. The superstructure works of the hotel are in progress. The occupation permit for the North Point Hotel required under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) is expected to be granted by the Building Authority in the second quarter of 2014 and on this basis, the operation of the North Point Hotel is anticipated to commence in or around the third quarter of 2014. Branded as a “iclub by Regal (富薈酒店)” hotel, the North Point Hotel will be managed and operated by the Regal Group following obtaining the relevant hotel licences.

For the years ended 31 December 2011 and 2012, Fortune Mine recorded consolidated net loss (both before and after tax) of approximately HK\$41,000 and HK\$77,000 respectively. As at 31 December 2012, Fortune Mine had consolidated net liabilities (taking into account bank borrowings and shareholder’s loans) of approximately HK\$0.1 million. Before bank borrowings and the shareholder’s loans, Fortune Mine had consolidated net assets of approximately HK\$518.0 million as at 31 December 2012. According to the valuation report of the North Point Hotel prepared by Savills, an independent property valuer jointly appointed by P&R Holdings and the Manager, as set out in Appendix III to this circular, the North Point Hotel was valued at HK\$1,650 million on an as-completed basis as at 25 June 2013. As agreed between the parties, the North Point Hotel is to be sold on an as-completed basis pursuant to which P&R Holdings shall complete the Interior Fit-Out

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Programme of the North Point Hotel and obtain the relevant hotel licence. As such, it is fair and reasonable that the North Point Hotel is valued on an as-completed basis. The initial exercise price of the Option which is based on the independent valuation of the North Point Hotel would represent a surplus of HK\$1,132 million over the net asset value of the Fortune Group as at 31 December 2012 before its bank borrowing and shareholder loan.

VENDOR FACILITY

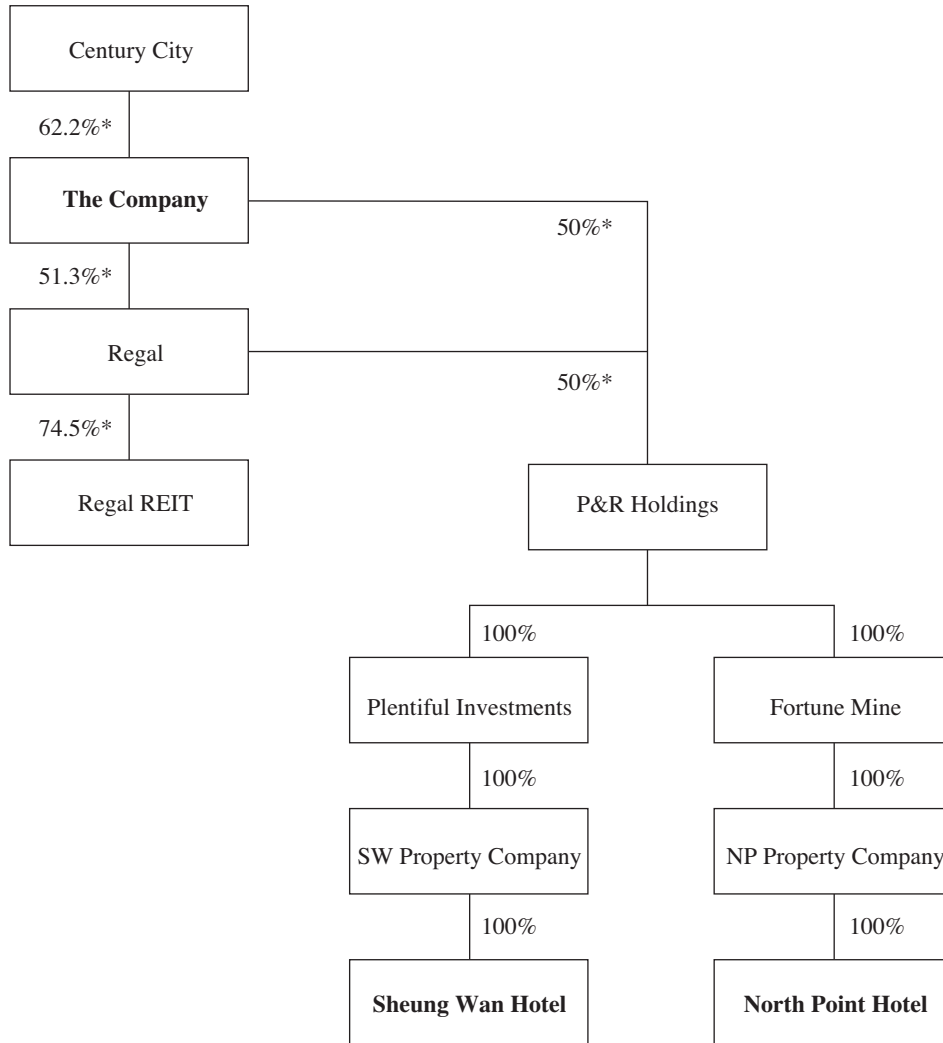
On 28 June 2013 (after trading hours), the Trustee (as borrower) entered into a Facility Letter in respect of the Vendor Facility with P&R Finance Limited (as lender), a wholly-owned subsidiary of P&R Holdings. In the event of any shortfall in the funding required for the completion of the SW Hotel Transaction and/or NP Hotel Transaction, Regal REIT may draw down on the Vendor Facility to fund the shortfall.

The Vendor Facility relates to a Hong Kong dollar two-year unsecured standby loan facility of up to an aggregate principal amount of HK\$1,457 million (which may be drawn down in two tranches), bearing an interest rate of 4.375% per annum, with such interest rate being payable quarterly. The Vendor Facility will mature and the outstanding principal amount will become repayable 24 months from the date on which the Trustee draws down on the Vendor Facility. There are no upfront costs relating to the Vendor Facility.

LETTER FROM THE BOARD

SHAREHOLDING CHART IN RELATION TO THE HOTELS

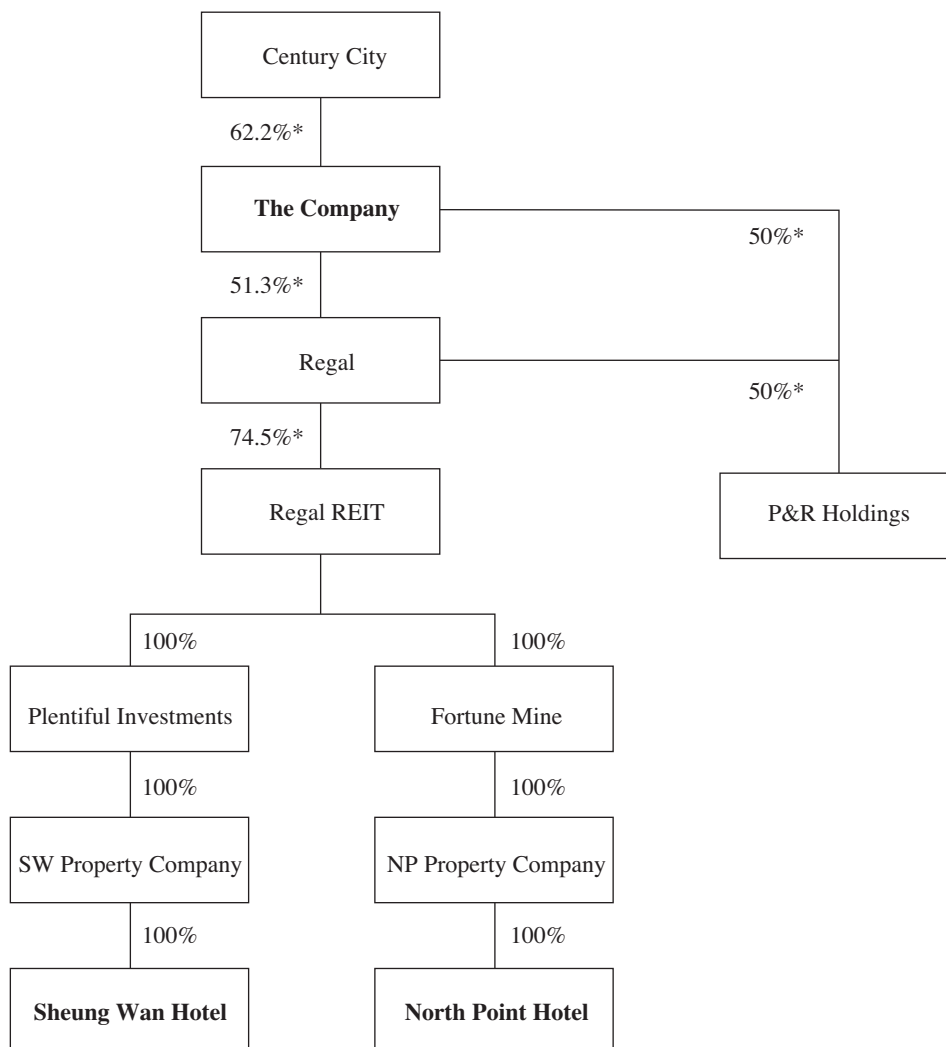
Below is a chart showing the present shareholding interests in Plentiful Investments and Fortune Mine:



* Shareholding interest is held through the holding company's wholly-owned subsidiary(ies).

LETTER FROM THE BOARD

Below is a chart showing the shareholding interests in Plentiful Investments and Fortune Mine upon completion of the SW Hotel Transaction and the NP Hotel Transaction (if the Option was exercised):



* Shareholding interest is held through the holding company's wholly-owned subsidiary(ies).

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in property investment and development, construction and building related businesses, securities and other investments, (through the Regal Group) hotel operation and management, and asset management of Regal REIT and (through Regal REIT) hotel ownership.

P&R Holdings is owned as to 50% by each of the Company and Regal through their respective wholly-owned subsidiaries. It is a subsidiary of the Company engaging in development of properties for sale and/or leasing.

Regal REIT is a Hong Kong collective investment scheme authorised under section 104 of the SFO and the units of Regal REIT were first listed on the Stock Exchange on 30 March 2007. The principal activity of Regal REIT is to own and invest in income-producing hotels, hospitality-related properties and other commercial properties with the objectives of producing stable and growing distributions to the unitholders of Regal REIT and to achieve long-term growth in the net asset value per unit of Regal REIT. The Manager, a wholly-owned subsidiary of Regal, is the manager to Regal REIT. As at the Latest Practicable Date, the Company held approximately 51.3% of the issued share capital of Regal, and Regal held approximately 74.5% of the issued units of Regal REIT. Regal REIT is a listed subsidiary of the Company holding hotel investments.

As the development of the Sheung Wan Hotel is expected to be completed in the coming fourth quarter of 2013, P&R Holdings will dispose of Plentiful Investments (which, through its wholly-owned subsidiary, owns the Sheung Wan Hotel) to Regal REIT at the consideration which was determined with reference to an independent valuation under the SW Hotel Transaction. P&R Holdings will receive sales proceeds from Regal REIT for the SW Hotel Transaction while Regal REIT will finance the payment of the SW Hotel Purchase Price by among others the proceeds from the issue of the Notes pursuant to the Regal REIT MTN Programme, existing and/or new bank facilities secured against the Sheung Wan Hotel and/or other assets held by Regal REIT and/or the Vendor Facility. The Group intends to use the net proceeds arising from the SW Hotel Transaction for working capital purposes.

The development of the North Point Hotel is expected to be completed in the second quarter of 2014. Pursuant to the Option Agreement, the Option will be granted to Regal REIT. Following obtaining the occupation permit of the North Point Hotel and pursuant to the exercise of the Option, P&R Holdings will dispose of Fortune Mine (which, through its wholly-owned subsidiary, owns the North Point Hotel) to Regal REIT at the consideration with reference to the then valuation as appraised by Savills, an independent valuer. P&R Holdings will receive sales proceeds from Regal REIT for the NP Hotel Transaction while Regal REIT will finance the payment of the consideration for the NP Hotel Transaction by among others the funds raised from the issue of Notes pursuant to the Regal REIT MTN Programme, existing and/or new bank facilities secured against the North Point Hotel and/or other assets held by Regal REIT, and/or the Vendor Facility. The Group intends to use the net proceeds arising from the NP Hotel Transaction for working capital purposes.

As upon respective completion of the SW Hotel Transaction and the NP Hotel Transaction, Plentiful Investments and Fortune Mine will remain to be subsidiaries of the Company respectively, the Company does not expect to report any gain or loss arising from the SW Hotel Transaction and NP Hotel Transaction respectively.

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Pursuant to the Option Agreement, Regal REIT shall pay the option fee of HK\$10 million and make Refundable Cash Collateral payments to P&R Holdings. P&R Holdings may use such proceeds without restriction.

The Directors consider that the terms of the SW Hotel Transaction, the Option and the exercise of the Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACTS OF THE SW HOTEL TRANSACTION AND THE OPTION ON THE GROUP

As at the Latest Practicable Date, the Company held approximately 51.3% of the issued share capital of Regal, and Regal held approximately 74.5% of the issued units of Regal REIT. P&R Holdings is owned as to 50% by each of the Company and Regal through their respective wholly-owned subsidiaries. All of Regal, Regal REIT and P&R Holdings are subsidiaries of the Company.

Pursuant to the SW Hotel Transaction, P&R Holdings will dispose of Plentiful Investments (which, through its wholly-owned subsidiary, owns the Sheung Wan Hotel) to Regal REIT. Upon completion of the SW Hotel Transaction, Plentiful Investments will remain to be a subsidiary of the Company and the financial results of Plentiful Investments will continue to be consolidated into the consolidated financial statements of the Company on a line-by-line basis while the effective equity interest in Plentiful Investments attributable to the Company will reduce from approximately 75.65% to approximately 38.22%. During the period from the SW Hotel Completion until completion of the Interior Fit-Out Programme and obtaining the relevant hotel licences for the Sheung Wan Hotel, P&R Holdings has undertaken to reimburse the Lessee (a wholly-owned subsidiary of Regal) the amount (including rent) payable by the Lessee to the SW Property Company under the SW Lease Agreement. During the period from completion of the Interior Fit-Out Programme and obtaining the relevant hotel licences for the Sheung Wan Hotel until the end of the third year of the lease under the SW Lease Agreement, P&R Holdings has undertaken to reimburse any shortfall of the Sheung Wan Hotel's net income below the amount (including rent) payable by the Lessee to the SW Property Company under the SW Lease Agreement for the aforesaid period. P&R Holdings will pay interest to Regal REIT in respect of the deposit payments made by Regal REIT for the SW Hotel Transaction while Regal REIT's payment of the Deposit and the remaining consideration for the SW Hotel Transaction will be funded by among others the proceeds from the issue of the Notes pursuant to the Regal REIT MTN Programme, existing and/or new bank facilities secured against the Sheung Wan Hotel and/or other assets held by Regal REIT and/or the Vendor Facility incurring interest expenses for Regal REIT.

Pursuant to the Option Agreement, Regal REIT will pay to P&R Holdings the Option Fee and the Refundable Cash Collateral. P&R Holdings will pay interest on the Refundable Cash Collateral to Regal REIT according to the terms of the Option Agreement while Regal REIT will finance the Option Fee by its internal resources and the Refundable Cash Collateral by the proceeds from the issue of the Notes pursuant to the Regal REIT MTN Programme.

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Upon exercise of the Option by Regal REIT, P&R Holdings will dispose of Fortune Mine (which, through its wholly-owned subsidiary, owns the North Point Hotel) to Regal REIT. Upon completion of the NP Hotel Transaction, Fortune Mine will remain to be a subsidiary of the Company and the financial results of Fortune Mine will continue to be consolidated into the consolidated financial statements of the Company on a line-by-line basis while the effective equity interest in Fortune Mine attributable to the Company will reduce from approximately 75.65% to approximately 38.22%. During the period from the completion of the NP Hotel Transaction until completion of the Interior Fit-Out Programme and obtaining the relevant hotel licences for the North Point Hotel, P&R Holdings has undertaken to reimburse the Lessee (a wholly-owned subsidiary of Regal) the amount (including rent) payable by the Lessee to the NP Property Company under the NP Lease Agreement. During the period from completion of the Interior Fit-Out Programme and obtaining the relevant hotel licence for the North Point Hotel until the end of the third year of the lease under the NP Lease Agreement, P&R Holdings has undertaken to reimburse any shortfall of the North Point Hotel's net income below the amount (including rent) payable by the Lessee to the NP Property Company under the NP Lease Agreement for the aforesaid period. Regal REIT will finance the Option Fee by its internal resources, and the Refundable Cash Collateral and the remaining consideration for the NP Hotel Transaction by among others the funds raised from the issue of Notes pursuant to the Regal REIT MTN Programme, existing and/or new bank facilities secured against the North Point Hotel and/or other assets held by Regal REIT, and/or the Vendor Facility incurring interest expense for Regal REIT.

LISTING RULES IMPLICATION

P&R Holdings and Regal REIT are subsidiaries of the Company.

Based on the applicable percentage ratios, the SW Hotel Transaction, the Option and the exercise of the Option in aggregate constitute a major transaction for the Company subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. As at the Latest Practicable Date, Mr. LO Yuk Sui held approximately 58.16% of the issued share capital of Century City and Century City held approximately 62.17% of the issued share capital of the Company. The Company held approximately 51.28% of the issued share capital of Regal and Regal held approximately 74.55% of the issued units of Regal REIT. Apart from the aforesaid, Mr. LO Yuk Sui and Century City held approximately 0.003% and 0.04% of the issued share capital of Regal respectively and Century City and the Company held approximately 0.16% and 0.02% of the issued units of Regal REIT respectively. Mr. LO Yuk Sui and Century City other than their interests as shareholders of the Company do not have material interests in the SW Hotel Transaction, the Option and the exercise of the Option, and no Shareholders would be required to abstain from voting if a general meeting of the Company were to be convened for the approval of the SW Hotel Transaction, the Option and the exercise of the Option. The SW Hotel Transaction, the Option and the exercise of the Option have been approved by way of written approval in accordance with Rule 14.44 of the Listing Rules by a closely allied group of Shareholders who in aggregate held approximately 74.03% of the issued Shares as at the Latest Practicable Date. The closely allied group of Shareholders comprises Mr. LO Yuk Sui who owned approximately 7.67% of the issued Shares as at the Latest Practicable Date and the companies majority owned and controlled by Mr. LO Yuk Sui consisting of (i) Select Wise Holdings Limited which owned approximately 1.46% of the issued Shares, (ii) Splendid All Holdings Limited which owned approximately 2.73% of the issued Shares, (iii) Almighty International Limited which owned approximately 31.04% of the issued Shares, (iv) Century City

LETTER FROM THE BOARD

Holdings Limited which owned approximately 2.73% of the issued Shares, (v) Cleverview Investments Limited which owned approximately 16.22% of the issued Shares, (vi) Gold Concorde Holdings Limited which owned approximately 2.61% of the issued Shares, (vii) Meylink Limited which owned approximately 4.36% of the issued Shares, (viii) Smartaccord Limited which owned approximately 0.75% of the issued Shares, and (ix) Splendour Corporation which owned approximately 4.46% of the issued Shares as at the Latest Practicable Date. Accordingly, no Shareholders' meeting will be convened for the purpose of approving the SW Hotel Transaction, the Option and the exercise of the Option.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Paliburg Holdings Limited
LO Yuk Sui
Chairman

INDEBTEDNESS

As at the close of business on 31 May 2013, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding borrowings of approximately HK\$9,811.4 million which represented (i) bank loans of HK\$5,542.6 million secured by certain of the Group's property, plant and equipment, investment properties and properties held for sale, (ii) unsecured notes of US\$300.0 million (approximately HK\$2,329.2 million) issued under a US\$1,000.0 million medium term note programme of Regal, and (iii) unsecured notes of HK\$775.0 million and US\$150.0 million (approximately HK\$1,164.6 million) issued under the Regal REIT MTN Programme.

Save as disclosed above and apart from intra-group liabilities, the Group did not have, at the close of business on 31 May 2013, any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any finance leases commitments, or any guarantees or other material contingent liabilities.

FINANCIAL AND TRADING PROSPECTS

The Group's significant investments and principal business activities mainly comprise property investment and development, construction and building related businesses, securities and other investments, (through the Regal Group) hotel operation and management, and asset management of Regal REIT and (through Regal REIT) hotel operation.

The Government of Hong Kong has recently imposed additional stamp duties on property transactions in an attempt to curb short-term speculations and to cool down overheated demands. The government has also announced that it will make available more development lands for public tenders or auctions to ensure a steady supply of land for new developments. The Group considers that these measures could help in creating a stable environment for the healthy development of the real estate market in Hong Kong and remains optimistic of the continuing prosperity of the local property sector.

The Group has strong financial resources and is both committed and well prepared to pursue the new acquisition opportunities that will become available, with a view to further expanding its property portfolio.

Hong Kong has embarked on various initiatives to increase tourism facilities, such as the Kai Tak International Cruise Terminal and the expansion projects at Hong Kong Disneyland and Ocean Park. The Government of Hong Kong is also undertaking major infrastructural development projects to improve connectivity as well as efficiencies for business activities, including, more notably, the expansion of the Hong Kong International Airport, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge. These will all benefit directly or indirectly the development of its tourism and hotel industries in the long run.

The Group is optimistic on the continuing prospects of the tourism and hotel markets in Hong Kong and is committed to maintaining the Regal Group's position as one of the pre-eminent hotel groups in Hong Kong. Through P&R Holdings, four new hotels are being developed in Hong Kong, including the Sheung Wan Hotel and North Point Hotel. Although there will be quite a number of new

hotels that will come on stream in Hong Kong over the course of the next few years, many of those new hotels are of relatively smaller sizes or are located in non-traditional business or tourist districts. The Group believes that it has distinctive competitive advantages over such new hotels due to its operational efficiencies attained through economies of scale as well as its broad hotel network and well-established marketing platform.

When Regal REIT was separately listed from the Regal Group in 2007 to become the first listed hospitality real estate investment trust in Hong Kong, it has always been intended that the Regal Group will act as a key provider of potential acquisition targets to Regal REIT when it implements its plans to expand its properties portfolio. In January 2013, Regal REIT established the Regal REIT MTN Programme as a funding platform to finance such expansion plan including the SW Hotel Transaction and the NP Hotel Transaction.

The Group is committed to further investing in the Regal Group's core hotel and property businesses with an objective to achieve continuing growth.

WORKING CAPITAL

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

APPENDIX II INDEPENDENT PROPERTY VALUER'S REPORT ON THE SHEUNG WAN HOTEL

The following is the text of the Independent Property Valuation Report received from Savills Valuation and Professional Services Limited, prepared for the purpose of inclusion in the circular, in connection with the valuation of the Sheung Wan Hotel on an as-completed basis as at 25 June 2013.



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

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

29 June 2013

T : (852) 2801 6100
F : (852) 2530 0756

EA LICENCE: C-023750
savills.com

Dear Sir / Madam

RE: VALUATION OF A PROPOSED HOTEL DEVELOPMENT AT 132-140 BONHAM STRAND, SHEUNG WAN, HONG KONG (THE "PROPERTY")

In accordance with your instructions for us to value the Property, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property, on an as-completed basis, as at 25 June 2013 (the "Date of Valuation") for the purpose of incorporation in a circular.

Basis of Valuation

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation of the Property is prepared in accordance with "The HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors; and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and paragraph 6.8 of the Code on Real Estate Investment Trusts issued by The Securities and Futures Commission in April 2013.

Valuation Approach

In the course of our valuation analysis, we have principally adopted the Income Capitalization — Discounted Cash Flow Analysis and counter-checked by the Direct Comparison Approach.

Income Capitalization — Discounted Cash Flow Analysis (“DCF”)

As the Property will be held for long term investment, we have adopted a 10-year projection time frame in our DCF. Such 10-year investment horizon enables an investor to make an assessment of the long-term return that is likely to be derived from the Property.

In preparing the DCF, the income and expenses for the next ten years from the Date of Valuation are itemized and projected annually taking into account the expected growth (or decline) of incomes and expenses. The net cash flow over the ten-year period is discounted at a discount rate. In undertaking this analysis, we have relied on our analysis of relevant general and economic conditions and of the business prospects of the Property. The discount rate adopted is 7.25% which reflects the time value of money in the DCF Analysis and a risk premium for the forecast cash flow to be materialized having regard to the risk free rate based on the prevailing yield of 10-year Hong Kong Exchange Fund Notes (approximately 1%), expected inflation (approximately 3% per annum) and the projected income over the forecast period.

The Property is hypothetically assumed to be sold at the end of the ten years period. The net cash flow of the Property from the 11th year onward to the unexpired term of the Government lease is capitalized at a terminal yield expected for this type of property investment in the market. Due consideration has been given to the expectation of the renewal of the Government lease upon expiry. The terminal capitalization rate adopted is 4.25% mainly taking into account the yields achieved in analyzed market sale of hotel premises and our knowledge of the market expectation from our day-to-day contact with property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential of future rental growth and capital appreciation, risk factor and the like. The capitalized future value is discounted at the discount rate.

We considered DCF is the most appropriate valuation approach for assessing the market value of the Property as it would better reflect specific characteristics of the income-producing properties such as the fixed and reversionary rents, lease duration, hotel management arrangement, room rate growth, occupancy rates and all outgoings.

DCF is subject to various assumptions including incomes and expenses of the Property and future economic conditions in the markets. The income and expense figures are mathematically extended and are fully dependent upon the accuracy of the assumptions as to incomes, expenses and market conditions.

Direct Comparison Approach

As a supporting approach to our valuation, we have considered the Direct Comparison Approach as a reference check for the valuation arrived from DCF. In this regard, comparable sale transactions

around the Date of Valuation are collected and analyzed in term of a price per square foot. The rationale of this approach is to directly compare the market comparable transactions with a property to determine the market value. Appropriate adjustments are applied to the comparable transactions to adjust for the discrepancies between a property and the comparables.

Title Investigation

We have not been provided with extracts from title documents relating to the Property but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

Source of Information

We have relied to a very considerable extent on information given by the Company and have accepted advice to us on such matters as proposed lease agreement, proposed hotel management agreement, planning approvals, statutory notices, easements, tenure, building plans, site and floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, and have been advised by the Company that no material facts have been omitted from the information provided.

Site Measurement

We have not been able to carry out detailed site measurement to verify the correctness of the site area of the Property but have assumed that the site area shown on the documents handed to us is correct. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us by the Company and are therefore only approximations.

Site Inspection

We have inspected the Property externally. However, we have not been able to carry out investigations on the site to determine the suitability of the ground conditions and services etc. Our valuation is prepared on the assumption that these aspects are satisfactory. Our inspection was carried out by Mr. Martin Wong, MRICS, on 11 April 2013.

Valuation Assumptions

Unless otherwise stated, our valuation has been made on the assumption that the Property can be sold in the prevailing market without the benefit of any deferred term contracts, leasebacks, joint ventures, or any similar arrangements which would affect its market value of the Property.

No allowance has been made in our report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have been provided with a set of building plans for the Property regarding its proposed hotel development (the "Development Scheme"). Our valuation is based on the assumption that the Property is fully developed and completed in accordance with the Development Scheme and available for immediate occupation as at the Date of Valuation and that valid occupation permit and all relevant government approvals, licences and permits have been obtained.

As advised by the Company, it is assumed that the Property, upon completion, will be a hotel up to the standard of Wanchai Regal iClub Hotel. Wanchai Regal iClub Hotel is a High Tariff B hotel with 99 guestrooms and a total Gross Floor Area of 5,326 sq. m. located in Wanchai.

Our valuation has been made on the assumption that the Property is subject to a master lease (the "Master Lease") and a hotel management agreement (the "HMA").

The Master Lease commences from the Date of Valuation and will terminate on the 31 December immediately following the fifth anniversary of the date of the commencement, unless extended for a further five years at the lessor's sole discretion. The annual rent payable in respect of the first, second and third years of the lease term shall be 5.00%, 5.25% and 5.50% respectively of the SW Hotel Purchase Price (i.e. HK\$1,580 Million). The rent payable in respect of the remaining lease term shall be determined based on an annual market rental review performed by an independent property valuer who will be jointly appointed by the lessor and the lessee.

The HMA is for a term of ten years commencing from the Date of Valuation. The hotel manager under the HMA is entitled to payment by the lessee of a hotel management fee comprising of:

- (a) a base fee which is equal to (i) 1% of gross revenue derived from the Property (for so long as the Master Lease is in subsistence); or (ii) 2% of gross revenue derived from the Property (for other cases during the operating term of the HMA); and
- (b) an incentive fee which is equal to (i) 1% of the excess of the aggregate of the gross operating profit and the net rental income derived from the Property over the base fee and the fixed charges (for so long as the Master Lease is in subsistence); or (ii) 5% of the excess of the aggregate of the gross operating profit and the net rental income derived from the Property over the base fee and the fixed charges (for other cases during the operating term of the HMA).

In addition, we have made the following assumptions in our valuation:-

- All information on the Property provided by the Company is correct.
- The Property will be developed without payment of any extra land premium, land use rights fees or other onerous monies.
- The Property will be constructed, occupied and used in full compliance with, and without contravention of, all ordinances and regulations except only where otherwise stated.

Valuer's interest

We hereby certify that we have no present or prospective interest in the Property and are not a related corporation of nor have a relationship with the Company or any other party or parties with whom Regal REIT is contracting; and we are authorized to practice as valuer and have the necessary expertise and experience in valuing similar types of properties.

We hereby confirm that our valuation has been prepared on a fair and unbiased basis.

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note: Mr. Charles C K Chan is a Chartered Estate Surveyor and has about 28 years' experience in the valuation of properties in Hong Kong and the PRC.

PROPERTY

**A Proposed Hotel Development
at 132-140 Bonham Strand
Sheung Wan
Hong Kong**

Section C of Marine Lot No. 67A,
Section A of Sub-section 1 of Section A of Marine Lot No. 67,
The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67,
Section A of Sub-section 1 of Section B of Marine Lot No. 67,
The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67,
Sub-section 2 of Section B of Marine Lot No. 67,
The Remaining Portion of Section B of Marine Lot No. 67,
Sub-section 1 of Section C of Marine Lot No. 67,
The Remaining Portion of Section C of Marine Lot No. 67,
Section G of Inland Lot No. 66 and
The Remaining Portion of Inland Lot No. 66

1. DESCRIPTION OF PROPERTY

The Property is a proposed 34-storey hotel development expected to be completed in the 4th quarter of 2013. According to a set of building plans provided, upon completion of the hotel development, the Property will comprise 248 guestrooms and suites.

The Property is located at Sheung Wan, a well-established commercial cum residential area. The locality is located close to Central, a prime and traditional Central Business District in Hong Kong. The immediately locality is predominantly office and residential buildings.

Site Area¹	: 472 sq. m.
Gross Floor Area	: 7,197 sq. m.
Covered Floor Area	: Approx. 9,617 sq. m.
Town Planning Zoning	: "Commercial" zone under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/28 dated 12 October 2012.

Hotel Guestroom Configuration

According to the information provided, the Property will comprise 248 guestrooms including 223 standard rooms, 18 one-bedroom suites and 7 two-bedroom suites.

¹ The site area excludes an area of 32.803 sq. m. to be reserved for lane pattern but includes an area of 24.398 sq. m. to be surrendered for road widening.

Facilities

A lobby lounge and a business centre.

2. OWNERSHIP AND TENURE

Registered Owner : Tristan Limited

Lease Term : Marine Lot No. 67 and Marine Lot No. 67A are held under respective Government Leases for a common term of 999 years commencing from 7 February 1852.

Inland Lot No. 66 is held under a Government Lease for a term of 999 years commencing from 26 March 1868.

Government Rent : The total government rent payable for the lots of the Property is HK\$120 per annum.

Major Registered Encumbrance

- i. Offensive Trade Licence by District Lands Officer, Hong Kong West & South dated 12 December 2011, registered vide memorial no. 12022300500014. (For Section C of Marine Lot No. 67A, Section A of Sub-section 1 of Section A of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67, Section A of Sub-section 1 of Section B of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67, The Remaining Portion of Section B of Marine Lot No. 67, Sub-section 1 of Section C of Marine Lot No. 67, The Remaining Portion of Section C of Marine Lot No. 67 and The Remaining Portion of Inland Lot No. 66 only)
- ii. Government Notice No. 7420 of 11.11.2011 pursuant to Section 22(1) of the Government Rent and Premium (Apportionment) Ordinance (Cap. 125) dated 11 November 2011, registered vide memorial no. 11111702560010. (For Section C of Marine Lot No. 67A only)
- iii. Debenture and Mortgage dated 2 November 2011 in favour of The Hongkong and Shanghai Banking Corporation Limited, registered vide memorial no. 11111002510443. (For all lots of the Property)
- iv. Deed Poll dated 15 August 2011, registered vide memorial no. 11082501800017. (Section A of Sub-section 1 of Section A of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67, Section A of Sub-section 1 of Section B of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67, Sub-section 2 of Section B of Marine Lot No. 67, The Remaining Portion of Section B of Marine Lot No. 67, Sub-section 1 of Section C of Marine Lot No. 67, The Remaining Portion of Section C of Marine Lot No. 67, Section G of Inland Lot No. 66 and The Remaining Portion of Inland Lot No. 66 only)

- v. Government Notice No. 1100 of 18.2.2011 pursuant to Section 22(1) of the Government Rent and Premium (Apportionment) Ordinance (Cap. 125) dated 18 February 2011, registered vide memorial no. 11030101830019. (For Section A of Sub-section 1 of Section A of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section A of Marine Lot No. 67, Section A of Sub-section 1 of Section B of Marine Lot No. 67, The Remaining Portion of Sub-section 1 of Section B of Marine Lot No. 67, Sub-section 2 of Section B of Marine Lot No. 67, The Remaining Portion of Section B of Marine Lot No. 67, Sub-section 1 of Section C of Marine Lot No. 67 and The Remaining Portion of Section C of Marine Lot No. 67 only)
- vi. Government Notice No. 2710 of 21.7.1995 pursuant to Section 22(1) the Crown Rent and Premium (Apportionment) Ordinance (Cap. 125) dated 21 July 1995, registered vide memorial no. UB6352712. (For Section G of Inland Lot No. 66 and The Remaining Portion of Inland Lot No. 66 only)

3. ASSUMED LEASE AGREEMENT

As instructed, it is assumed that the Property is subject to the Master Lease. The Master Lease commences from the Date of Valuation and will terminate on the 31 December immediately following the fifth anniversary of the date of the commencement, unless extended for a further five years at the lessor's sole discretion. The annual rent payable in respect of the first, second and third years of the lease term shall be 5.00%, 5.25% and 5.50% respectively of the SW Hotel Purchase Price (i.e. HK\$1,580 Million). The rent payable in respect of the remaining lease term shall be determined based on an annual market rental review performed by an independent property valuer who will be jointly appointed by the lessor and the lessee.

4. ASSUMED HOTEL MANAGEMENT AGREEMENT

As instructed, it is assumed that the Property is subject to the HMA. The HMA is for a term of ten years commencing from the Date of Valuation. The hotel manager under the HMA is entitled to payment by the lessee of a hotel management fee comprising of:

- (a) a base fee which is equal to (i) 1% of gross revenue derived from the Property (for so long as the Master Lease is in subsistence); or (ii) 2% of gross revenue derived from the Property (for other cases during the operating term of the HMA); and
- (b) an incentive fee which is equal to (i) 1% of the excess of the aggregate of the gross operating profit and the net rental income derived from the Property over the base fee and the fixed charges (for so long as the Master Lease is in subsistence); or (ii) 5% of the excess of the aggregate of the gross operating profit and the net rental income derived from the Property over the base fee and the fixed charges (for other cases during the operating term of the HMA).

5. ESTIMATED NET PROPERTY YIELD²

5.0%

6. MARKET VALUE ON AN AS-COMPLETED BASIS AS AT 25 JUNE 2013

HK\$1,580,000,000

² The Estimated Net Property Yield of the Property is derived from the fixed rental receivable in the first year of the term of the Master Lease divided by the Market Value.

APPENDIX III INDEPENDENT PROPERTY VALUER'S REPORT ON THE NORTH POINT HOTEL

The following is the text of the Independent Property Valuation Report received from Savills Valuation and Professional Services Limited, prepared for the purpose of inclusion in the circular, in connection with the valuation of the North Point Hotel on an as-completed basis as at 25 June 2013.



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

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

29 June 2013

T : (852) 2801 6100
F : (852) 2530 0756

EA LICENCE: C-023750
savills.com

Dear Sir / Madam

**RE: VALUATION OF A PROPOSED HOTEL DEVELOPMENT AT 14-20 MERLIN STREET,
NORTH POINT, HONG KONG (THE "PROPERTY")**

In accordance with your instructions for us to value the Property, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property, on an as-completed basis, as at 25 June 2013 (the "Date of Valuation") for the purpose of incorporation in a circular.

Basis of Valuation

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation of the Property is prepared in accordance with "The HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors; and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and paragraph 6.8 of the Code on Real Estate Investment Trusts issued by The Securities and Futures Commission in April 2013.

Valuation Approach

In the course of our valuation analysis, we have principally adopted the Income Capitalization — Discounted Cash Flow Analysis and counter-checked by the Direct Comparison Approach.

Income Capitalization — Discounted Cash Flow Analysis (“DCF”)

As the Property will be held for long term investment, we have adopted a 10-year projection time frame in our DCF. Such 10-year investment horizon enables an investor to make an assessment of the long-term return that is likely to be derived from the Property.

In preparing the DCF, the income and expenses for the next ten years from the Date of Valuation are itemized and projected annually taking into account the expected growth (or decline) of incomes and expenses. The net cash flow over the ten-year period is discounted at a discount rate. In undertaking this analysis, we have relied on our analysis of relevant general and economic conditions and of the business prospects of the Property. The discount rate adopted is 7.25% which reflects the time value of money in the DCF Analysis and a risk premium for the forecast cash flow to be materialized having regard to the risk free rate based on the prevailing yield of 10-year Hong Kong Exchange Fund Notes (approximately 1%), expected inflation (approximately 3% per annum) and the projected income over the forecast period.

The Property is hypothetically assumed to be sold at the end of the ten years period. The net cash flow of the Property from the 11th year onward to the unexpired term of the Government lease is capitalized at a terminal yield expected for this type of property investment in the market. Due consideration has been given to the expectation of the renewal of the Government lease upon expiry. The terminal capitalization rate adopted is 4.25% mainly taking into account the yields achieved in analyzed market sale of hotel premises and our knowledge of the market expectation from our day-to-day contact with property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential of future rental growth and capital appreciation, risk factor and the like. The capitalized future value is discounted at the discount rate.

We considered DCF is the most appropriate valuation approach for assessing the market value of the Property as it would better reflect specific characteristics of the income-producing properties such as the fixed and reversionary rents, lease duration, hotel management arrangement, room rate growth, occupancy rates and all outgoings.

DCF is subject to various assumptions including incomes and expenses of the Property and future economic conditions in the markets. The income and expense figures are mathematically extended and are fully dependent upon the accuracy of the assumptions as to incomes, expenses and market conditions.

Direct Comparison Approach

As a supporting approach to our valuation, we have considered the Direct Comparison Approach as a reference check for the valuation arrived from DCF. In this regard, comparable sale transactions

around the Date of Valuation are collected and analyzed in term of a price per square foot. The rationale of this approach is to directly compare the market comparable transactions with a property to determine the market value. Appropriate adjustments are applied to the comparable transactions to adjust for the discrepancies between a property and the comparables.

Title Investigation

We have not been provided with extracts from title documents relating to the Property but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

Source of Information

We have relied to a very considerable extent on information given by the Company and have accepted advice to us on such matters as proposed lease agreement, proposed hotel management agreement, planning approvals, statutory notices, easements, tenure, building plans, site and floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, and have been advised by the Company that no material facts have been omitted from the information provided.

Site Measurement

We have not been able to carry out detailed site measurement to verify the correctness of the site area of the Property but have assumed that the site area shown on the documents handed to us is correct. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us by the Company and are therefore only approximations.

Site Inspection

We have inspected the Property externally. However, we have not been able to carry out investigations on the site to determine the suitability of the ground conditions and services etc. Our valuation is prepared on the assumption that these aspects are satisfactory. Our inspection was carried out by Mr. Martin Wong, MRICS, on 11 April 2013.

Valuation Assumptions

Unless otherwise stated, our valuation has been made on the assumption that the Property can be sold in the prevailing market without the benefit of any deferred term contracts, leasebacks, joint ventures, or any similar arrangements which would affect its market value of the Property.

No allowance has been made in our report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

APPENDIX III INDEPENDENT PROPERTY VALUER'S REPORT ON THE NORTH POINT HOTEL

We have been provided with a set of building plans for the Property regarding its proposed hotel development (the "Development Scheme"). Our valuation is based on the assumption that the Property is fully developed and completed in accordance with the Development Scheme and available for immediate occupation as at the Date of Valuation and that valid occupation permit and all relevant government approvals, licences and permits have been obtained.

As advised by the Company, it is assumed that the Property, upon completion, will be a hotel up to the standard of Wanchai Regal iClub Hotel. Wanchai Regal iClub Hotel is a High Tariff B hotel with 99 guestrooms and a total Gross Floor Area of 5,326 sq. m. located in Wanchai.

Our valuation has been made on the assumption that the Property is subject to a master lease (the "Master Lease") and a hotel management agreement (the "HMA").

The Master Lease commences from the Date of Valuation and will terminate on the 31 December immediately following the fifth anniversary of the date of the commencement, unless extended for a further five years at the lessor's sole discretion. The annual rent payable in respect of the first, second and third years of the lease term shall be 5.00%, 5.25% and 5.50% respectively of the Initial Exercise Price (i.e. HK\$1,650 Million; Initial Exercise Price is adopted instead of Final Exercise Price since the later has not yet been determined). The rent payable in respect of the remaining lease term shall be determined based on an annual market rental review performed by an independent property valuer who will be jointly appointed by the lessor and the lessee.

The HMA is for a term of ten years commencing from the Date of Valuation. The hotel manager under the HMA is entitled to payment by the lessee of a hotel management fee comprising of:

- (a) a base fee which is equal to (i) 1% of gross revenue derived from the Property (for so long as the Master Lease is in subsistence); or (ii) 2% of gross revenue derived from the Property (for other cases during the operating term of the HMA); and
- (b) an incentive fee which is equal to (i) 1% of the excess of the aggregate of the gross operating profit and the net rental income derived from the Property over the base fee and the fixed charges (for so long as the Master Lease is in subsistence); or (ii) 5% of the excess of the aggregate of the gross operating profit and the net rental income derived from the Property over the base fee and the fixed charges (for other cases during the operating term of the HMA).

In addition, we have made the following assumptions in our valuation:-

- All information on the Property provided by the Company is correct.
- The Property will be developed without payment of any extra land premium, land use rights fees or other onerous monies.
- The Property will be constructed, occupied and used in full compliance with, and without contravention of, all ordinances and regulations except only where otherwise stated.

Valuer's interest

We hereby certify that we have no present or prospective interest in the Property and are not a related corporation of nor have a relationship with the Company or any other party or parties with whom Regal REIT is contracting; and we are authorized to practice as valuer and have the necessary expertise and experience in valuing similar types of properties.

We hereby confirm that our valuation has been prepared on a fair and unbiased basis.

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note: Mr. Charles C K Chan is a Chartered Estate Surveyor and has about 28 years' experience in the valuation of properties in Hong Kong and the PRC.

PROPERTY

**A Proposed Hotel Development
at 14-20 Merlin Street
North Point
Hong Kong**

The Remaining Portion of Section P of Inland Lot No. 2273,
The Remaining Portion of Sub-section 1 of Section P of Inland Lot No. 2273,
The Remaining Portion of Sub-section 1 of Section H of Inland Lot No. 2273 and
The Remaining Portion of Section H of Inland Lot No. 2273

1. DESCRIPTION OF PROPERTY

The Property is a proposed 32-storey hotel development expected to be completed in the 2nd quarter of 2014. According to a set of building plans provided, upon completion of the hotel development, the Property will comprise 338 guestrooms.

The Property is located at North Point, a well-established residential area. The immediate locality is predominantly residential buildings intermingled with office buildings and hotel developments.

Site Area	: 457 sq. m.
Gross Floor Area	: 6,849 sq. m.
Covered Floor Area	: Approx. 9,393 sq. m.
Town Planning Zoning	: "Commercial / Residential" zone under North Point Outline Zoning Plan No. S/H8/24 dated 30 November 2010.

Hotel Guestroom Configuration

According to the information provided, the Property will comprise 338 guestrooms.

Facilities

A lobby lounge and a business centre.

2. OWNERSHIP AND TENURE

Registered Owner : Wise Decade Investments Limited

Lease Term : The Property is held from the Government for the residue of the respective further terms of 75 years, 75 years, 75 years and 75 years all commencing from the 25th day of August 1994 under four several new Government Leases in respect of The Remaining Portion of Section P of Inland Lot No.2273, The Remaining Portion of Subsection 1 of Section P of Inland Lot No.2273, The Remaining Portion of Subsection 1 of Section H of Inland Lot No.2273 and The Remaining Portion of Section H of Inland Lot No.2273 respectively deemed to have been granted under and by virtue of the Government Leases Ordinance (Chapter 40 of the Laws of Hong Kong) upon the expiration of the initial term of 75 years created by the original Government Lease of Inland Lot No.2273 dated 2nd April 1925 made between the late King George V of the one part and The Asiatic Petroleum Company (South China) Limited of the other part.

Government Rent : The total government rent payable for the lots of the Property is HK\$61,150 per annum.

Major Registered Encumbrance

- i. Offensive Trade Licence from District Lands Office, Hong Kong East dated 20 July 2012, registered vide memorial no. 12082101060027.
- ii. Debenture and Mortgage dated 29 August 2012 in favour of Australia and New Zealand Banking Group Limited, registered vide memorial no. 12091102440099.

3. ASSUMED LEASE AGREEMENT

As instructed, it is assumed that the Property is subject to the Master Lease. The Master Lease commences from the Date of Valuation and will terminate on the 31 December immediately following the fifth anniversary of the date of the commencement, unless extended for a further five years at the lessor's sole discretion. The annual rent payable in respect of the first, second and third years of the lease term shall be 5.00%, 5.25% and 5.50% respectively of the Initial Exercise Price (i.e. HK\$1,650 Million; Initial Exercise Price is adopted instead of Final Exercise Price since the later has not yet been determined). The rent payable in respect of the remaining lease term shall be determined based on an annual market rental review performed by an independent property valuer who will be jointly appointed by the lessor and the lessee.

4. ASSUMED HOTEL MANAGEMENT AGREEMENT

As instructed, it is assumed that the Property is subject to the HMA. The HMA is for a term of ten years commencing from the Date of Valuation. The hotel manager under the HMA is entitled to payment by the lessee of a hotel management fee comprising of:

- (a) a base fee which is equal to (i) 1% of gross revenue derived from the Property (for so long as the Master Lease is in subsistence); or (ii) 2% of gross revenue derived from the Property (for other cases during the operating term of the HMA); and
- (b) an incentive fee which is equal to (i) 1% of the excess of the aggregate of the gross operating profit and the net rental income derived from the Property over the base fee and the fixed charges (for so long as the Master Lease is in subsistence); or (ii) 5% of the excess of the aggregate of the gross operating profit and the net rental income derived from the Property over the base fee and the fixed charges (for other cases during the operating term of the HMA).

5. ESTIMATED NET PROPERTY YIELD¹

5.0%

6. MARKET VALUE ON AN AS-COMPLETED BASIS AS AT 25 JUNE 2013

HK\$1,650,000,000

¹ The Estimated Net Property Yield of the Property is derived from the fixed rental receivable in the first year of the term of the Master Lease divided by the Market Value.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code") were as follows:

The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests	Family/ Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (issued)	85,484,014	739,970,803 <i>(Note b)</i>	15,000	825,469,817 (74.03%)
	Mr. Donald Fan Tung	Ordinary (issued)	556	—	—	556 (0.000%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	—	—	2,274,600 (0.20%)
	Miss Lo Po Man	Ordinary (issued)	1,116,000	—	—	1,116,000 (0.10%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	—	—	176,200 (0.02%)
	Mr. Ng Siu Chan	Ordinary (issued)	—	—	80,474	80,474 (0.007%)
	Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	—	—	6,200 (0.001%)

The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held			Family/ Other interests	Total (Approximate percentage of the issued shares as at the Latest Practicable Date)
			Personal interests	Corporate interests			
2. Century City	Mr. Lo Yuk Sui	Ordinary (issued)	99,587,396	1,769,164,691 <i>(Note a)</i>	380,683	1,869,132,770 (58.18%)	
	Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	—	—	251,735 (0.008%)	
	Miss Lo Po Man	Ordinary (issued)	112,298	—	—	112,298 (0.003%)	
	Mr. Ng Siu Chan	Ordinary (issued)	—	—	3,521,973	3,521,973 (0.11%)	
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	—	—	200 (0.000%)	
3. Regal	Mr. Lo Yuk Sui	Ordinary (i) issued	24,200	494,835,261 <i>(Note c)</i>	260,700	495,120,161	
		(ii) underlying	—	27,542,000 <i>(Note d)</i>	—	27,542,000	
					Total (i) & (ii):	522,662,161 (54.21%)	
	Miss Lo Po Man	Ordinary (issued)	300,000	—	269,169 <i>(Note e)</i>	569,169 (0.06%)	
	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	—	—	200 (0.000%)	
4. 8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	1,000 <i>(Note f)</i>	—	1,000 (100%)	
5. Regal REIT	Mr. Lo Yuk Sui	Units (issued)	—	2,434,282,102 <i>(Note g)</i>	—	2,434,282,102 (74.73%)	

Notes:

- (a) The interests in 1,769,164,691 issued ordinary shares of Century City were held through companies wholly owned by Mr. Lo Yuk Sui (“Mr. Lo”) and a company, namely Master City Limited, 99.9% owned by Mr. Lo.
- (b) The interests in 693,234,547 Shares were held through companies wholly owned by Century City, in which Mr. Lo held 58.16% shareholding interests.

The interests in 16,271,685 Shares were held through corporations controlled by Mr. Lo as detailed below:

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

The interests in 30,464,571 Shares were held through corporations controlled by Mr. Lo as detailed below:

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

- (c) The interests in 421,400 issued ordinary shares of Regal were held through companies wholly owned by Century City, in which Mr. Lo held 58.16% shareholding interests, and the interests in the other 494,413,861 issued ordinary shares of Regal were held through companies wholly owned by the Company, in which Century City held 62.17% shareholding interests.
- (d) These derivative interests in underlying 27,542,000 ordinary shares of Regal were held by a wholly owned subsidiary of the Company through certain equity derivative contracts on ordinary shares of Regal, which will be settled in cash only.
- (e) The interests in 269,169 issued ordinary shares of Regal were held by Miss Lo Po Man as the beneficiary of a trust.
- (f) 400 shares were held through companies controlled by Century City, in which Mr. Lo held 58.16% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.
- (g) The interests in 2,428,262,739 units of Regal REIT were held through wholly owned subsidiaries of Regal. The interests in 732,363 units of Regal REIT were held through wholly owned subsidiaries of the Company. The interests in 5,287,000 units of Regal REIT were held through wholly owned subsidiaries of Century City. The Company, in which Century City held 62.17% shareholding interests, held 51.28% shareholding interests in Regal. Mr. Lo held 58.16% shareholding interests in Century City.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or pursuant to the Model Code.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had any material direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Company were made up.

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

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares held	Total number of ordinary shares (issued and underlying) held	Approximate percentage of issued ordinary shares as at the Latest Practicable Date
Century City (<i>Note i</i>)	693,234,547	—	693,234,547	62.17%
Century City BVI Holdings Limited (<i>Note ii</i>)	693,234,547	—	693,234,547	62.17%
Almighty International Limited (<i>Note ii</i>)	346,104,526	—	346,104,526	31.04%
Cleerview Investments Limited (<i>Note ii</i>)	180,811,470	—	180,811,470	16.22%

Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 58.16% shareholding interests in Century City, and the interests in these Shares held by Century City through its wholly owned subsidiaries were included in the corporate interests of Mr. Lo Yuk Sui in the Shares as disclosed under the section headed "Disclosure of Directors' Interests" above.
- (ii) These companies are wholly owned subsidiaries of Century City and their interests in the Shares were included in the interests held by Century City.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

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

- (1) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of Century City.
- (2) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of Century City BVI Holdings Limited, Almighty International Limited and Cleverview Investments Limited.

4. SERVICE CONTRACTS

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

5. LITIGATION

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

6. COMPETING INTERESTS

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

7. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
Savills	Chartered Surveyors and Valuer

Savills has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and references to its name in the form and context in which they appear. The valuation reports on the Sheung Wan Hotel and the North Point Hotel are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Savills did not have any interest in the share capital of any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and Savills had no interest, either directly or indirectly, in any assets which have been, since 31 December 2012, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

There are no material contracts (not being a contract in the ordinary course of business) entered into by any members of the Group within the two years preceding the date of this circular.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business in Hong Kong of the Company at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including 18 July 2013:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the written consent of Savills referred to in the section headed “Qualification and consent of Expert” of this Appendix;
- (c) the annual reports of the Company for the two years ended 31 December 2011 and 2012; and
- (d) the valuation reports on the Sheung Wan Hotel and the North Point Hotel, the text of which is set out in Appendix II and Appendix III respectively to this circular.

10. GENERAL

- (a) The registered office of the Company is at 26 Burnaby Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary of the Company is Ms. Eliza Lam Sau Fun, an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (e) The English text of this circular shall prevail over the Chinese text.