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**CONNECTED TRANSACTION  
DISPOSAL OF A SUBSIDIARY  
AND  
DISCLOSEABLE TRANSACTION  
PROVISION OF FINANCIAL ASSISTANCE**

On 28 February 2013, the Vendor disposed of the entire equity interest in Prosper Harvest and the Shareholder's Loan to P&R Holdings for a consideration of approximately HK\$46.52 million.

On 28 February 2013 after the Disposal, Prosper Harvest (as purchaser), the Company (as several guarantor), Paliburg (as several guarantor) and PENA (as seller) entered into the Formal Agreement in respect of the Property Acquisition. Pursuant to the Formal Agreement, the Company and Paliburg shall guarantee the performance of Prosper Harvest under the Formal Agreement on a several basis proportional to their respective interests in Prosper Harvest. The Company and Paliburg have each provided a loan to P&R Holdings amounting to approximately HK\$23.25 million to fund the payment for its acquisition of Prosper Harvest under the Disposal and they will each provide a further loan to P&R Holdings amounting to approximately HK\$208.9 million for Prosper Harvest to fund the payment of the remaining consideration for the Property Acquisition. In proportion to its interest in P&R Holdings, the Company shall provide the Financial Assistance to P&R Holdings (in the form of the Loans and Guarantee) in the total amount of HK\$232.15 million.

Paliburg, through its wholly-owned subsidiaries, holds approximately 51.3% of the issued share capital of the Company. P&R Holdings is owned as to 50% by a wholly-owned subsidiary of the Company and 50% by a wholly-owned subsidiary of Paliburg. P&R Holdings is therefore a connected person of the Company and the Disposal constitutes a connected transaction for the Company subject to the reporting and announcement requirements but exempt from independent shareholders' approval under the Listing Rules.

As the Company's provision of the Financial Assistance is on normal commercial terms and in proportion to the Company's equity interest in P&R Holdings, it is exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Based on the applicable percentage ratios in respect of the Company's provision of the Financial Assistance, the Company's provision of the Financial Assistance constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

On 28 February 2013, the Vendor disposed of the entire equity interest in Prosper Harvest and the Shareholder's Loan to P&R Holdings for a consideration of approximately HK\$46.52 million. Prosper Harvest has after the Disposal ceased to be a subsidiary and has become a jointly controlled entity of the Company.

On 28 February 2013 after the Disposal, Prosper Harvest (as purchaser), the Company (as several guarantor), Paliburg (as several guarantor) and PENA (as seller) entered into the Formal Agreement in respect of the Property Acquisition under which (1) Prosper Harvest has agreed to acquire the entire issued share capital of and shareholders' loan to Leading Brand subject to the terms and conditions of the Formal Agreement, and (2) the Company and Paliburg (as the indirect shareholders of Prosper Harvest through P&R Holdings) have agreed to guarantee the obligations of Prosper Harvest under the Formal Agreement on a several basis proportional to their respective interests in Prosper Harvest.

## **MAJOR TERMS OF THE DISPOSAL**

### **Date**

28 February 2013

### **Parties**

Vendor: the Vendor

Purchaser: P&R Holdings

As at the date of this announcement, Paliburg, through its wholly-owned subsidiaries, holds approximately 51.3% of the issued share capital of the Company and the Vendor is a wholly-owned subsidiary of the Company.

P&R Holdings is owned as to 50% by a wholly-owned subsidiary of the Company and 50% by a wholly-owned subsidiary of Paliburg. P&R Holdings is therefore a connected person of the Company.

### **Assets to be disposed of under the Disposal**

1. The entire issued share capital of Prosper Harvest
2. The Shareholder's Loan amounting to approximately HK\$46.52 million

### **Consideration**

The consideration for the Disposal is approximately HK\$46.52 million and was determined based on the amount of the Group's investment in Prosper Harvest which approximates the net asset value of Prosper Harvest before deducting the face value of the Shareholder's Loan as at 28 February 2013. The Group does not expect to report any significant gain or loss arising from the Disposal based on the amount of the consideration for the Disposal of approximately HK\$46.52 million and Prosper Harvest's net assets of

approximately HK\$46.51 million before deducting the Shareholder's Loan as at 28 February 2013. The Company intends to use the proceeds from the Disposal for general working capital of the Group.

## **INFORMATION ON PROSPER HARVEST**

Prosper Harvest on 29 December 2012 entered into the Provisional Agreement in respect of the Property Acquisition. On 28 February 2013 after the Disposal, Prosper Harvest entered into the Formal Agreement. A total deposit of HK\$46.5 million has been made by Prosper Harvest to PENA which was financed by the Shareholder's Loan.

Prosper Harvest was incorporated in the British Virgin Islands in May 2011 and was wholly owned by the Vendor since June 2011. Other than entering into the Provisional Agreement and the Formal Agreement, Prosper Harvest has not carried on any other business activities. For the period ended 31 December 2011 (since its incorporation) and for the year ended 31 December 2012, Prosper Harvest reported net loss (both before and after tax) of approximately HK\$7,000 and HK\$4,000 respectively. As at 28 February 2013, Prosper Harvest had net assets of approximately HK\$46.51 million before deducting the Shareholder's Loan of HK\$46.52 million. The Property has a site area of about 699.8 square meters. It is presently intended that Prosper Harvest will redevelop for sale the Property into a hotel with a proposed gross floor area of about 6,298.3 square meters and with not more than 340 hotel rooms as approved by the Town Planning Board.

### **Provisional Agreement**

On 29 December 2012, Prosper Harvest (as purchaser), the Company (as guarantor) and PENA (as seller) entered into the Provisional Agreement, pursuant to which Prosper Harvest agreed to acquire from PENA the entire issued share capital of and shareholders' loan to Leading Brand. PENA is an independent third party of the Group.

Leading Brand is an investment holding company and it owns the entire issued share capital of Land Crown which in turn holds the Property. PENA represented that other than holding the Property, Leading Brand and Land Crown do not carry on any other business activities.

### **Formal Agreement and Financial Assistance**

On 28 February 2013 after the Disposal, Prosper Harvest (as purchaser), the Company (as several guarantor), Paliburg (as several guarantor) and PENA (as seller) entered into the Formal Agreement in respect of the Property Acquisition superseding the Provisional Agreement. Pursuant to the Formal Agreement, each of the Company and Paliburg (as the indirect shareholders of Prosper Harvest through P&R Holdings) has agreed to guarantee the performance of Prosper Harvest under the Formal Agreement on a several basis proportional to their respective interest in Prosper Harvest. Based on the consideration for the Property Acquisition of HK\$464.3 million (subject to adjustments arising from the difference between the net current assets and net current liabilities of Leading Brand and Land Crown) and the deposits of HK\$46.5 million already paid by Prosper Harvest, the share of the Company's guarantee given in favour of PENA under the Formal Agreement is approximately HK\$208.9 million (being 50% of the amount of the consideration net of the deposits paid). The Company and Paliburg have each provided a loan of approximately HK\$23.25 million to P&R Holdings to fund its acquisition of

Prosper Harvest under the Disposal and they will each provide a further loan of approximately HK\$208.9 million to P&R Holdings for Prosper Harvest to fund the payment of the remaining consideration for the Property Acquisition. The aforesaid loans are interest free, unsecured and have no fixed terms of repayment. In proportion to its interest in P&R Holdings, the Company shall therefore provide the Financial Assistance to P&R Holdings (in the form of the Loans and Guarantee) in the total amount of HK\$232.15 million to P&R Holdings.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Group is principally engaged in hotel ownership (through its 74.55%-owned subsidiary Regal Real Estate Investment Trust (“Regal REIT”)), hotel management and operation. It also engages in property development and investment, as well as asset management of Regal REIT and securities and other investments.

P&R Holdings is primarily engaged in the development of real estate projects and was set up by Paliburg and the Company jointly with a view to leveraging on the resources of both groups to invest and develop property projects in Hong Kong and other areas. Apart from the plan for the redevelopment of the Property, P&R Holdings is presently undertaking a total of four development projects in Hong Kong and one in the PRC, and three of the development projects in Hong Kong are hotel redevelopments. To better structure the business of the Group and utilize the resources and position of P&R Holdings to develop the property project of Prosper Harvest, the Company considers that it will be in the interest of its shareholders to sell Prosper Harvest (together with the Shareholder’s Loan) to P&R Holdings. After the Disposal, the Group will continue to hold a 50% interest in the property development project of Prosper Harvest through the Group’s investment in P&R Holdings. The amount of consideration for the Disposal has been determined based on the amount that the Group has invested in Prosper Harvest. Accordingly, save for 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 (all Directors who are also directors of Paliburg and have abstained from voting on the relevant board resolution relating to the Disposal and the Financial Assistance), the other Directors consider that the terms of the Disposal and the Financial Assistance, which is made on a several basis proportional to the interest of the Company in Prosper Harvest on the same terms as the other joint venture partner, are on normal commercial terms, and are fair and reasonable.

## **GENERAL**

As at the date of this announcement, Paliburg, through its wholly-owned subsidiaries, holds approximately 51.3% of the issued share capital of the Company. P&R Holdings is owned as to 50% by a wholly-owned subsidiary of the Company and 50% by a wholly-owned subsidiary of Paliburg. P&R Holdings is therefore a connected person of the Company and the Disposal constitutes a connected transaction for the Company. As all the applicable percentage ratios are more than 0.1% but less than 5%, the Disposal is a connected transaction for the Company subject to the reporting and announcement requirements but exempt from independent shareholders’ approval under the Listing Rules.

As the Company's provision of the Financial Assistance is on normal commercial terms and in proportion to the Company's equity interest in P&R Holdings, it is exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios in respect of the Company's provision of the Financial Assistance is more than 5% but all of the applicable percentage ratios are less than 25%, the Company's provision of the Financial Assistance constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## DEFINITIONS

"Company"	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)
"Directors"	the directors of the Company
"Disposal"	the disposal of the entire issued share capital in Prosper Harvest and the Shareholder's Loan under a disposal agreement dated 28 February 2013 entered into between the Vendor and P&R Holdings
"Financial Assistance"	the Guarantee and the Loans
"Formal Agreement"	the sale and purchase agreement dated 28 February 2013 entered into among PENA, Prosper Harvest, the Company and Paliburg in relation to the Property Acquisition
"Group"	the Company and its subsidiaries
"Guarantee"	the several guarantee provided by the Company in favour of PENA in respect of the performance by Prosper Harvest of its obligations under the Formal Agreement
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Land Crown"	Land Crown International Limited, a wholly-owned subsidiary of Leading Brand as at the date of this announcement
"Leading Brand"	Leading Brand Holdings Limited, a wholly-owned subsidiary of PENA as at the date of this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

“Loans”	the interest free loans provided and to be provided by the Group in proportion to its interest in Prosper Harvest to fund the payment for the Disposal and the remaining consideration under the Formal Agreement
“Paliburg”	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability and whose issued ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 617)
“PENA”	Pena Investments Limited
“PRC”	the People’s Republic of China
“Property”	the properties located at Nos. 8, 8A, 10, 10A, 12 and 12A Ha Heung Road, To Kwa Wan, Kowloon erected on Section C of Kowloon Inland Lot No. 4148
“Property Acquisition”	the proposed acquisition by Prosper Harvest from PENA of the entire issued share capital of and shareholders’ loan to Leading Brand
“Prosper Harvest”	Prosper Harvest Investments Limited
“Provisional Agreement”	the provisional agreement dated 29 December 2012 entered into among PENA, Prosper Harvest and the Company in relation to the Property Acquisition
“P&R Holdings”	P&R Holdings Limited, a joint venture established and owned by Capital Merit Investments Limited (a wholly-owned subsidiary of Paliburg) and Regal Hotels Investments Limited (a wholly-owned subsidiary of the Company) as to 50% and 50% respectively
“Shareholder’s Loan”	the interest free loan provided by the Vendor to Prosper Harvest prior to completion of the Disposal, which was assigned to P&R Holdings upon completion of the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Regal International (BVI) Holdings Limited, a wholly owned subsidiary of the Company

By order of the Board  
**Regal Hotels International Holdings Limited**  
**Eliza Lam Sau Fun**  
Secretary

Hong Kong, 1 March 2013

As at the date of this announcement, the board of directors of the Company comprises the following members:

**Executive directors:**

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

Ms. Belinda YEUNG Bik Yiu (*Chief Operating Officer*)

Mr. Donald FAN Tung

Mr. Jimmy LO Chun To

Miss LO Po Man

Mr. Kenneth NG Kwai Kai

Mr. Allen WAN Tze Wai

**Non-executive director:**

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

**Independent non-executive directors:**

Ms. Alice KAN Lai Kuen

Professor Japhet Sebastian LAW

Mr. NG Siu Chan

Mr. WONG Chi Keung