

---

## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in doubt** as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, accountant or other professional adviser.

**If you have sold or transferred** all your securities in Regal Hotels International Holdings Limited (the “Company”), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



## **MAJOR AND CONNECTED TRANSACTION**

### **ESTABLISHMENT OF JOINT VENTURE**

**Independent financial adviser**  
**to the Independent Board Committee and the Independent Shareholders**



**KBC Bank N.V. Hong Kong Branch**

---

A notice convening the special general meeting of the Company to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 28 April 2011 at 11:00 a.m. (the “SGM”) is appended to this circular. Whether or not you are able to attend the SGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or at any adjournment thereof should you so wish.

8 April 2011

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Letter from the Independent Board Committee</b> .....	11
<b>Letter from KBC</b> .....	12
<b>Appendix I — Financial information of the Group</b> .....	19
<b>Appendix II — General information</b> .....	25
<b>Notice of the SGM</b> .....	34

---

## DEFINITIONS

---

*In this circular, the following expressions have the meanings set out below unless the context requires otherwise:*

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Business Day(s)”	any day (other than Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Capital Merit”	Capital Merit Investments Limited, a wholly-owned subsidiary of Paliburg, which will be a shareholder of JV Co holding 50% of the entire issued share capital of JV Co
“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”	Regal Hotels International 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: 78)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising Ms Alice KAN Lai Kuen, Mr NG Siu Chan and Mr WONG Chi Keung, all being independent non-executive Directors, established to advise the Independent Shareholders in relation to the Transaction
“Independent Shareholders”	Shareholders other than Paliburg and its associates
“JV Co”	a joint venture company to be incorporated in the British Virgin Islands with limited liability by Capital Merit and Regal Investments on a 50:50 basis pursuant to the terms of the Shareholders’ Agreement

---

## DEFINITIONS

---

“JV Group”	JV Co and its subsidiaries
“KBC”	KBC Bank N.V., acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Transaction
“Latest Practicable Date”	4 April 2011, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr Lo”	Mr LO Yuk Sui, an executive director and the Chairman of the board of directors of each of Century City, Paliburg and the Company
“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)
“Paliburg Group”	Paliburg and its subsidiaries
“percentage ratios”	has the meaning ascribed to it under Chapter 14 of the Listing Rules
“Regal Investments”	Regal Hotels Investments Limited, a wholly-owned subsidiary of the Company, which will be a shareholder of JV Co holding 50% of the entire issued share capital of JV Co
“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)
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
“SGM”	the special general meeting of the Company to be held on Thursday, 28 April 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Transaction

---

## DEFINITIONS

---

“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shareholders’ Agreement”	the conditional shareholders’ agreement dated 17 March 2011 entered into between Capital Merit, Regal Investments, Paliburg and the Company in relation to the establishment of JV Co
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the establishment of JV Co by Capital Merit and Regal Investments on the terms and subject to the conditions of the Shareholders’ Agreement and the performance of the transactions contemplated under the Shareholders’ Agreement
“HK\$”	Hong Kong dollars
“%”	per cent.

---

## LETTER FROM THE BOARD

---



*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  
Mr NG Siu Chan  
Mr WONG Chi Keung

*Registered Office:*

Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

*Head Office and*

*Principal Place of Business:*

11th Floor  
68 Yee Wo Street  
Causeway Bay  
Hong Kong

8 April 2011

*To the Shareholders*

Dear Sir or Madam,

## MAJOR AND CONNECTED TRANSACTION ESTABLISHMENT OF JOINT VENTURE

### INTRODUCTION

Reference is made to the joint announcement of Century City, Paliburg and the Company dated 17 March 2011, in which the Board announced that on 17 March 2011 (after trading hours), Paliburg, the Company, Capital Merit and Regal Investments entered into the Shareholders' Agreement in connection with the establishment of JV Co for the development of real estate projects for sale and/or leasing.

The purposes of this circular is to provide you with, among other things, (i) details of the Transaction including the terms and conditions of the Shareholders' Agreement; (ii) the letter of advice from the Independent Board Committee; (iii) the letter of advice from KBC to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the SGM.

---

## LETTER FROM THE BOARD

---

### ESTABLISHMENT OF JOINT VENTURE

The respective boards of directors of Century City, Paliburg and the Company jointly announced that on 17 March 2011 (after trading hours), Paliburg, the Company, Capital Merit and Regal Investments had entered into the Shareholders' Agreement in connection with the establishment of JV Co for the development of real estate projects for sale and/or leasing.

The principal terms of the Shareholders' Agreement are as follows:-

Date: 17 March 2011

Parties: Capital Merit, a wholly-owned subsidiary of Paliburg, as shareholder of JV Co

Regal Investments, a wholly-owned subsidiary of the Company, as shareholder of JV Co

Paliburg, as guarantor for Capital Merit

the Company, as guarantor for Regal Investments

Conditions precedent: The obligations of the parties to the Shareholders' Agreement are conditional upon the fulfilment of the following conditions:-

- (a) the obtaining of an ordinary resolution by the shareholders of each of Century City, Paliburg and the Company (other than those who are required to abstain from voting under the Listing Rules) either passed at a general meeting of each of Century City, Paliburg and the Company or by way of a written resolution approving the Transaction; and
- (b) compliance by each of Century City, Paliburg and the Company with all other applicable requirements under the Listing Rules.

All the above conditions precedent cannot be waived by the parties to the Shareholders' Agreement. If all such conditions precedent are not fulfilled by 31 May 2011 (or such other date as the parties may agree in writing), the Shareholders' Agreement shall be terminated automatically and have no further force and effect and none of the parties to the Shareholders' Agreement shall have any liability thereunder (without prejudice to the rights of the parties thereto in respect of any antecedent breaches).

As at the Latest Practicable Date, shareholders' approval in respect of the Transaction had already been obtained by Century City and Paliburg by way of written resolution.

---

## LETTER FROM THE BOARD

---

Shareholdings in JV Co:	Capital Merit - 50% Regal Investments - 50%
Maximum total capital commitment:	HK\$3,800 million, which will be contributed by Capital Merit and Regal Investments in a maximum capital commitment of HK\$1,900 million each and on a pro-rata basis according to their respective shareholdings in JV Co.
Scope of business:	The development of real estate projects for sale and/or leasing and the doing of such acts, matters and things as may be necessary for or ancillary or incidental to the principal business of the JV Group as aforesaid, and the undertaking of related investment and financing activities.
Board representation:	Capital Merit and Regal Investments will each nominate up to 4 directors to the board of directors of JV Co.
Funding and provision of security:	<p>The maximum capital commitment of Capital Merit and Regal Investments shall be contributed on a pro-rata basis in accordance with their respective shareholdings in JV Co by way of subscription of new shares in JV Co and/or provision of shareholder loans and/or provision of security or guarantee for the benefit of the JV Group in such amount and in such manner as determined by the board of directors of JV Co.</p> <p>The JV Group may also obtain funding for the conduct of its business from banks and/or financial institutions on such terms as the board of directors of JV Co may determine from time to time provided that in case any guarantee and/or security are required to be given by Capital Merit and Regal Investments or Paliburg and the Company to such banks and/or financial institutions for such funding, then such guarantee and/or security shall be given by the Paliburg Group and the Group on a several basis in accordance with the respective shareholdings of Capital Merit and Regal Investments in JV Co.</p>
Dividend policy:	Any proceeds available for distribution by the JV Group will be applied in such manner as determined by the board of directors of JV Co from time to time.

---

## LETTER FROM THE BOARD

---

- Transfer of shares of JV Co: Save for the purpose of procuring funding from banks and/or financial institutions for the JV Group, or any sale or transfer of shares of JV Co or of the beneficial interests of any form in JV Co between the wholly-owned subsidiaries of Paliburg or the Company (as the case may be), or any transfer of shares of JV Co in accordance with the terms of the Shareholders' Agreement, neither Capital Merit or Paliburg nor Regal Investments or the Company shall sell, assign, transfer, pledge or otherwise encumber the shares of JV Co and/or the beneficial interests of any form in JV Co and/or the shareholder loans without the prior written consent of the other holder of shares of JV Co.
- Related party transactions: Any related party transactions to be entered into by the JV Group (unless in the normal course of business and on normal commercial terms after arm's length negotiation) shall be approved by all the shareholders of JV Co. Any sale or purchase of land, property or real estate development project or leasing of property by the JV Group from or to either the Paliburg Group or the Group or their respective associates shall be supported by an independent valuation report and approved by the board of directors of JV Co with the directors nominated by the relevant shareholder of JV Co abstaining from voting.
- Termination: The Shareholders' Agreement shall terminate upon the occurrence of any of the following events:-
- (a) by all the parties thereto in writing; or
  - (b) all the shares of JV Co are held beneficially by one shareholder of JV Co; or
  - (c) in accordance with its provisions.

### REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in hotel operation and management, hotel ownership through its investment in Regal REIT, asset management of Regal REIT, property development and investment, and other investments.

The Paliburg Group undertakes property development and property investment as part of its principal business activities. It is expected that many new development projects may involve different types of properties, including commercial, office, residential and hotel, and in some cases may involve composite developments with mixed components. In the undertaking of new property developments, it is of mutual benefit to both the Paliburg Group and the Group that they join force to form a sizeable joint venture company with greater financial capability and to tap and capitalise on each party's experience and expertise; particularly, on the Paliburg Group with respect to its experience and

---

## LETTER FROM THE BOARD

---

expertise on general property development, project management, design and construction, and on the Group with respect to its experience and expertise on hotel operation and management and luxury residential development. Hence, with the combined resources, experience and expertise of the Paliburg Group and the Group as aforesaid, the formation of JV Co, if approved, will provide the Paliburg Group and the Group with the required flexibility to respond swiftly to any available viable business opportunities from time to time, should both the Paliburg Group and the Group consider that it is in the benefit of the respective shareholders of Paliburg and the Company as a whole to undertake such business opportunities through the JV Group.

It is the intention of Paliburg and the Company that upon the Shareholders' Agreement becoming unconditional, JV Co may acquire from the Paliburg Group certain property development projects in Hong Kong as the JV Group's starting projects. According to the terms of the Shareholders' Agreement, the proposed acquisition of such property development projects by JV Co from the Paliburg Group shall be supported by an independent valuation report and approved by the board of directors of JV Co with the directors nominated by Capital Merit abstaining from voting.

The Directors (including Ms Alice KAN Lai Kuen, Mr NG Siu Chan and Mr WONG Chi Keung, all independent non-executive Directors, whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular, but save for Mr Lo, who is regarded as materially interested in the Transaction under the bye-laws of the Company and has abstained from voting on the relevant Board resolution approving the Transaction) take the view that the Transaction is in the ordinary and usual course of business of the Group and believe that the terms of the Transaction are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECT OF THE TRANSACTION ON THE GROUP

Based on the maximum total capital commitment of HK\$3,800 million to JV Co, the maximum capital commitment of the Group to JV Co is HK\$1,900 million.

The funding requirement by JV Co will be in stages and will be contributed in such amount and in such manner as determined by the board of directors of JV Co. It is expected that the funding required by the Group for making the capital contribution to JV Co will be sourced by the Group from its internal resources and that the funding requirement for making the capital contribution would not have any material impact on the Group.

As JV Co will be owned by Capital Merit and by Regal Investments on a 50:50 basis, JV Co will be treated as a jointly controlled entity of the Company, and hence JV Co will not be classified as a subsidiary of the Company under Rule 1.01 of the Listing Rules and the results of the JV Group will be accounted for by the Company using the equity method in accordance with Hong Kong Accounting Standard 31.

---

## LETTER FROM THE BOARD

---

### REGULATORY IMPLICATIONS

As the maximum capital commitment of the Group to JV Co is more than 25% but less than 100% of the applicable percentage ratios, the Transaction constitutes a major transaction for the Company and is subject to reporting, announcement and Shareholders' approval requirements under Rule 14.33 of the Listing Rules. As Paliburg is the controlling shareholder of the Company and held approximately 49.4% of the issued share capital of the Company as at the date of the Shareholders' Agreement, Paliburg and Capital Merit are connected persons of the Company. Accordingly, the Transaction also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the SGM. The Company has established the Independent Board Committee comprising Ms Alice KAN Lai Kuen, Mr NG Siu Chan and Mr WONG Chi Keung, all independent non-executive Directors, to advise the Independent Shareholders in relation to the Transaction, and KBC has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### SGM

A notice convening the SGM to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 28 April 2011 at 11:00 a.m. at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Transaction, is contained on pages 34 to 35 of this circular.

In accordance with Rule 13.39(4) of the Listing Rules and the Company's bye-laws, the voting of the Shareholders at the SGM will be taken by poll. Mr Lo, Century City, Paliburg and their respective associates, in aggregate holding, and entitled to exercise control over the voting rights in respect of, 495,120,161 issued Shares as at the Latest Practicable Date, will abstain from voting on the proposed resolution approving the Transaction at the SGM.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjournment thereof should you so wish.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 11 of this circular and the letter from KBC on pages 12 to 18 of this circular which contains their advice to the Independent Board Committee and the Independent Shareholders regarding the Transaction as well as the principal factors and reasons taken into consideration in arriving at their advice.

---

## LETTER FROM THE BOARD

---

The Directors (including Ms Alice KAN Lai Kuen, Mr NG Siu Chan and Mr WONG Chi Keung, all independent non-executive Directors, whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular, but save for Mr Lo, who is regarded as materially interested in the Transaction under the bye-laws of the Company and has abstained from voting on the relevant Board resolution approving the Transaction) consider that the Transaction is in the ordinary and usual course of business of the Group and the terms of the Transaction are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee recommends all the Independent Shareholders to vote in favour of the proposed ordinary resolution set out in the notice of the SGM to approve the Transaction.

### 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 of  
**Regal Hotels International Holdings Limited**  
**LO Yuk Sui**  
*Chairman and Chief Executive Officer*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---



8 April 2011

*To the Independent Shareholders*

Dear Sir or Madam,

### MAJOR AND CONNECTED TRANSACTION ESTABLISHMENT OF JOINT VENTURE

#### INTRODUCTION

We refer to the circular of the Company dated 8 April 2011 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the Transaction. KBC has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 12 to 18 of the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendices thereto.

#### RECOMMENDATION

Having considered the terms of the Shareholders’ Agreement and the transactions contemplated thereunder and taking into account the independent advice of KBC and the relevant information contained in the “Letter from the Board” in the Circular, we are of the opinion that the terms of the Transaction are on normal commercial terms, fair and reasonable in so far as the Independent Shareholders are concerned and the Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the proposed resolution approving the Transaction at the SGM.

Yours faithfully,  
For and on behalf of  
**Independent Board Committee**  
**Alice KAN Lai Kuen**  
**NG Siu Chan**  
**WONG Chi Keung**

---

## LETTER FROM KBC

---

*The following is the text of the letter of advice from KBC to the Independent Board Committee and the Independent Shareholders in relation to the Transaction for the purpose of incorporation into this circular.*



39/F Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

8 April 2011

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **MAJOR AND CONNECTED TRANSACTION ESTABLISHMENT OF JOINT VENTURE**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the establishment of the JV Co. Details of the establishment of the JV Co are set out in the circular of the Company dated 8 April 2011 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

On 17 March 2011, the Company and Paliburg, together with their wholly-owned subsidiaries, namely, Regal Investments and Capital Merit, respectively, entered into the Shareholders’ Agreement for the establishment of the JV Co. Pursuant to the Shareholders’ Agreement, the issued share capital of the JV Co will be 50% owned by each of the Group and the Paliburg Group and the maximum total capital commitment from the Group and the Paliburg Group to the JV Co will amount to HK\$3,800 million which will be contributed by each of them on a pro-rata basis according to their respective shareholdings in the JV Co (i.e. a maximum capital commitment of HK\$1,900 million for each of the Group and the Paliburg Group). Since Paliburg is the controlling Shareholder, Paliburg is a connected person of the Company and the Transaction will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Company’s maximum capital commitment of HK\$1,900 million are more than 25% but less than 100%, the Transaction also constitutes a major transaction of the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Ms. Alice Kan Lai Kuen, Mr. Ng Siu Chan and Mr. Wong Chi Keung, has been formed to advise the Independent Shareholders in respect of the Transaction. We, KBC Bank N.V. Hong Kong Branch, have been appointed as the independent financial adviser to advise the Independent Board

---

## LETTER FROM KBC

---

Committee and the Independent Shareholders as to whether the establishment of the JV Co is conducted in the ordinary and usual course of business of the Company and on normal commercial terms and the terms of the Shareholders' Agreement are fair and reasonable and in so far as the interest of the Company and the Independent Shareholders as a whole are concerned.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things, (i) the Circular; (ii) the Shareholders' Agreement; and (iii) the annual and interim reports of the Company for the year ended 31 December 2009 and the six months ended 30 June 2010 and the Company's results announcement for the year ended 31 December 2010 (the "2010 Results Announcement"). We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the Company that having made all reasonable enquiries and careful decisions, and to the best of the knowledge and belief of the management of the Company, there is no other material fact or representation, the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which it is wholly responsible, are true, complete and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Company and its associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent advice in relation to the Transaction, we have taken into account the following principal factors:

#### **1. Reasons for and benefits of the Transaction**

##### *(i) Background of the Group*

The Group, one of the largest hotel operators in Hong Kong, has over 30 years of operating history in the hotel management/operations business and owns six "Regal" branded hotels in Hong Kong through Regal REIT, a listed subsidiary of the Company. As at the end of 2010, the Group's hotel portfolio in Hong Kong commanded an aggregate of 3,929 quality guestrooms and suites and accounted for over 11% of the total High Tariff A and High Tariff B hotel room inventory in Hong Kong and the average occupancy rate of the Group's five Regal branded hotels in Hong Kong (excluding the Regal iClub Hotel which came into full operation only in December 2010) reached 85.8%. The Group also manages a number of "Regal" branded hotels in various major cities in China, including Regal International East Asia Hotel, Regal Shanghai East Asia Hotel and Regal Jinfeng

---

## LETTER FROM KBC

---

Hotel in Shanghai, Regal Master Hotel in Chengdu, Sichuan Province, and Regal Kangbo Hotel in Dezhou, Shandong Province. As disclosed in the 2010 Results Announcement, the Group successfully entered into/concluded management contracts for provision of hotel management services to a number of hotels in China, including a hotel with service apartments in Waigaoqiao Free Trade Zone in Pudong, Shanghai, a five-star hotel in Zhengzhou, Henan Province, a four-star business hotel in Suzhou, Jiangsu Province and a four-star business hotel in Foshan, Guangdong Province, which are scheduled to be opened in 2011, 2012, 2013, and 2013, respectively.

The Group also engages in property development and investment business and has co-invested respectively with the Paliburg Group and Cosmopolitan International Holdings Limited (“Cosmopolitan”), a listed company in Hong Kong in which the Group holds certain of its convertible bonds and issued shares, in a number of property development projects, including the joint investment with the Paliburg Group in the development of the Regalia Bay, a luxury residential estate in Stanley, Hong Kong (the “Regalia Bay Project”) and a property development project in the central business district in Beijing as well as the joint investment with Cosmopolitan in a composite development project in Chengdu, Sichuan Province.

(ii) *Co-investment with the Paliburg Group and Cosmopolitan*

Paliburg, the controlling Shareholder, is principally engaged in property development and investment, construction and building related business and other investments. The Paliburg Group has been involved in a number of hotel, residential and commercial property development projects in Hong Kong including, amongst others, (i) the development of Regal Hongkong Hotel which was acquired by the Group at its project stage in 1990; (ii) the commercial development at 118 Connaught Road West, Hong Kong completed in 1994; (iii) the residential developments at the Fulrich Garden in Kwun Tong, Hong Kong completed in 1990; (iv) the Fuller Garden Phase I and Phase II in Tai Po, Hong Kong completed in 1997 and 1998 respectively, (v) the Park Royale in Yuen Long, Hong Kong completed in 1999; and, more recently (vi) the Larvotto, a luxury residential development project in Ap Lei Chau, comprising 9 residential towers with 715 apartment units with ancillary car parks and commercial areas (of which over 95% of the residential apartment units and about 65% of the car parks have been presold for an aggregate sale consideration exceeding HK\$15 billion). Moreover, the Paliburg Group has recently acquired two land parcels in Sheung Wan, Hong Kong which are planned to be developed into two hotels comprising 240 guestrooms and suites with gross floor area of approximately 77,450 square feet and 140 guestrooms and suites with approximately 56,590 square feet, respectively. In addition, the Paliburg Group also operates a comprehensive range of construction and other building related business, comprising development consultancy such as architectural, engineering and interior design services, project management, building services, estate management as well as technology-based building management and security system and services, and through these business units, the Paliburg Group provided a wide range of development consultancy, construction and related services to the Group for its portfolio of hotel properties in Hong Kong.

As described above, the Group has co-invested with the Paliburg Group in certain property development projects including (i) the Regalia Bay Project, a large scale luxury residential development project located in Stanley, Hong Kong which was initially co-invested amongst the Group, the Paliburg Group and China Overseas Land & Investment Limited (one of the leading property developers in China); and according to the 2010 Results Announcement, the Group still

---

## LETTER FROM KBC

---

owned certain number of houses in the Regalia Bay Project as at 31 December 2010; (ii) the Regal iClub Building, a 26-storey commercial building in Wanchai, Hong Kong in which the modernised Regal iClub Hotel is located, which was previously co-invested by the Paliburg Group and Regal REIT as to 25% and 75% respectively, with Regal REIT having subsequently acquired the remaining 25% beneficial interest in the Regal iClub Building from the Paliburg Group in 2010; and (iii) the joint development project in the central business district in Beijing, China which is 50% owned by each of the Group and the Paliburg Group.

In addition, a joint venture which is 50% owned by each of the Group and Cosmopolitan has been formed for the development of a composite development project in Chengdu, Sichuan Province with a total gross floor area of approximately 5.36 million square feet and the first stage of which will comprise (i) a five-star hotel with 306 hotel rooms and extensive facilities and is expected to be soft opened in late 2012 and (ii) three residential towers with 340 apartment units and certain ancillary commercial accommodation which command total saleable area of approximately 489,000 square feet.

(iii) *Combined business strength of the Group and the Paliburg Group for future development projects undertaken by the JV Co*

As disclosed in the Circular, the principal business of the JV Co will be the development of real estate projects for sale and/or leasing. After having taken into account the background and strength of both the Group and the Paliburg Group described above and that many new development projects nowadays may involve different types of properties, including commercial, office, residential and hotel and in some cases involve composite development with mixed components as stated in the Circular, the management of the Company is of the view that the establishment of the JV Co will be of mutual benefit to both the Group and the Paliburg Group, such that the JV Co will have the financial capability to respond swiftly to the property market on the strong financial backing of the Group and the Paliburg Group, whilst at the same time, the JV Co will be able to capitalise on the Group's extensive experience in hotel operation and management and luxury residential development and the Paliburg Group's expertise in general property development, project management, design and construction for the future development projects to be undertaken by it.

Given that (i) the JV Co's business scope of real estate development projects falls within the principal business activities of the Group; (ii) the previous experience of the Group's co-investments with the Paliburg Group in development projects involving hotels and luxury residential estates; and (iii) the JV Co is intended to capitalise on the strength and experience of both the Group and the Paliburg Group for the future development project, we are of the view that the establishment of the JV Co is in the ordinary and usual course of business of the Group.

## **2. Terms of the Shareholders' Agreement**

(i) *Structure of the JV Co*

Pursuant to the Shareholders' Agreement, the issued share capital of the JV Co will be owned as to 50% by each of Regal Investments and Capital Merit and each of Regal Investments and Capital Merit will be entitled to nominate up to 4 directors to the board of directors of the JV Co.

---

## LETTER FROM KBC

---

(ii) *Maximum total capital commitment*

Pursuant to the Shareholders' Agreement, the maximum total capital commitment to the JV Co of HK\$3,800 million will be contributed by Regal Investments and Capital Merit in the proportion of 50% each, i.e. the maximum capital commitment to be borne by Regal Investments and Capital Merit to the JV Co will amount to HK\$1,900 million each. As disclosed in the Circular, the investment amount of each of Regal Investments and Capital Merit will be made in stages and in the form of subscription of new shares of the JV Co, shareholders' loans, and/or provision of security/guarantee.

(iii) *Provision of guarantee and securities*

Pursuant to the Shareholders' Agreement, the JV Group may also obtain funding from banks and/or financial institutions for the conduct of its business on such terms as determined by the board of directors of JV Co. In the event that guarantee and/or security are required to be given by Regal Investments and Capital Merit or Paliburg and the Company in respect of any funding obtained from banks/financial institutions, such guarantee and/or security shall be given by the Paliburg Group and the Group on a several basis and in accordance with their respective shareholdings in the JV Co. However, in any event, the maximum capital commitment to be borne by the Group, including the aforesaid guarantee/security given, shall not exceed the Group's overall maximum capital commitment to the JV Co of HK\$1,900 million under the Shareholders' Agreement.

(iv) *Transfer of shares of the JV Co*

Save for the purpose of procuring funding from banks and/or financial institutions for the JV Group, or any sale or transfer of shares of JV Co or of the beneficial interests of any form in JV Co between the wholly-owned subsidiaries of Paliburg or the Company (as the case may be), or any transfer of shares of the JV Co in accordance with the terms of the Shareholders' Agreement, neither Regal Investments or the Company nor Capital Merit or Paliburg shall sell, assign, transfer, pledge or otherwise encumber the shares of JV Co and/or the beneficial interests of any form in JV Co and/or the shareholder loans without the prior written consent of the other holder of shares of JV Co.

Given that (i) all loans, guarantees, security or financial contribution will be provided by Regal Investments and Capital Merit on a several basis in accordance with their respective shareholdings in the JV Co; (ii) each of Regal Investments and Capital Merit will have the right to nominate an equal number of representatives to the board of directors of the JV Co; (iii) all funding contribution will be decided by the board of directors of the JV Co; and (iv) the maximum obligation of each of Regal Investments and Capital Merit under the Shareholders' Agreement will be HK\$1,900 million each, based on their equity interest in the JV Co, we concur with the view of the Directors that the Transaction is on normal commercial terms and the terms of the Shareholders' Agreement are fair and reasonable and in so far as the interests of the Company and the Independent Shareholders as a whole are concerned.

---

## LETTER FROM KBC

---

### 3. Financial impact of the establishment of the JV Co

#### *Net asset value and earnings*

Upon the establishment of the JV Co, the Group will account for the JV Co as a jointly controlled entity and the JV Co's financial results and financial position will be shared in the Group's consolidated financial statements according to the Group's equity interest in the JV Co.

As at 31 December 2010, the Group's equity attributable to the Shareholders amounted to approximately HK\$11,536 million. Pursuant to the Shareholders' Agreement, the Group will be required to make a maximum capital commitment (including equity, loan, guarantee/security or otherwise) to the JV Co of up to HK\$1,900 million, which is presently intended to be funded by internal resources. As such, upon the establishment of the JV Co, the non-current assets of the Group will be increased by the investment amount contributed by the Group (up to a maximum of HK\$1,900 million) to the JV Co, whilst the cash and bank balances of the Group will be decreased by the amount contributed by it.

As described in the 2010 Results Announcement, the average hotel room occupancy rate for all hotels in different categories in Hong Kong for the year 2010 increased by approximately 9% from 2009 to approximately 87% and the average hotel room rate in Hong Kong also improved by approximately 13.9% as compared with the preceding year. In addition, according to the Hong Kong Property Review published by the Rating and Valuation Department, the average transaction price for properties has increased by approximately 79.7% from 2006 to 2010 (representing a compound annual growth rate of approximately 15.8%) with luxury properties larger than 100 square metres and 160 square metres increased by approximately 85.4% and 68.9%, respectively during the same period (representing a compound annual growth rate of approximately 16.7% and 14%, respectively). Since it is the intention of the JV Co to acquire property development projects in Hong Kong as its starting projects and, if such projects are successfully implemented as planned and in the absence of any material adverse change in the conditions of the Hong Kong property market, it is expected that future incomes derived from, for example, sales and/or leasing of properties of the JV Co (which will be accounted for by the Group using the equity method) may potentially enhance the income base of the Group.

#### *Gearing and working capital*

According to the 2010 Results Announcement, the Group's borrowings net of cash and bank balances and deposits (the "Net Debt"), and the total assets of the Group amounted to HK\$3,334.3 million and HK\$19,791.2 million respectively as at 31 December 2010. Accordingly, the gearing ratio of the Group (expressed as a percentage of the Net Debt over the Group's total assets) was approximately 16.8%. As disclosed in the Circular, the funding to be contributed by the Group to the JV Co will be primarily financed by its internal resources and the management of the Company anticipates that establishment of the JV Co will not result in material adverse impact on the financial position of the Group. However, if any part of the Group's investment amount in the JV Co is to be financed by external bank borrowings, the total liabilities of the Group (hence the gearing ratio) may increase accordingly.

---

## LETTER FROM KBC

---

According to the Company's announcement dated 29 October 2010, the pledged time deposits for the existing security deposit for the leasing of the five Regal Hotels in Hong Kong from Regal REIT of approximately HK\$1 billion will be released shortly after 30 June 2011 and may be replaced by a security deposit of HK\$280 million to Regal REIT. Given that as at 31 December 2010, the Group had (i) cash and bank balances of approximately HK\$1,481.6 million (including restricted cash, time deposits, cash and bank balances and the abovementioned pledged time deposits to be released and the payment of the security deposit to Regal REIT); (ii) financial assets classified as the Group's current asset of approximately HK\$774.7 million (mainly comprised listed equity investment and debt investments); (iii) properties held for sale of approximately HK\$806.7 million comprising certain of the unsold houses in the Regalia Bay Project; (iv) unutilised bank facilities of approximately HK\$433 million (excluding unutilised bank facilities of Regal REIT), the Group's maximum capital commitment of HK\$1,900 million to the JV Co represents only approximately 54% of its above-mentioned total available financial resources.

Based on the above analysis on the available cash resources of the Group as at 31 December 2010 and the existing undrawn bank loan and facilities and taking into account (i) our understanding from the discussion with the management of the Company that the Group's capital commitment for the JV Co is expected to be payable in stages and the timing will be determined collectively by the board of directors of the JV Co in which the Company will have 50% nomination rights; (ii) the future cash inflows arising from the Group's existing business operations; and (iii) the committed bank borrowing facilities available to the Group, the management of the Company considered that the Group has sufficient funding sources to cover its maximum capital commitment for the Transaction.

### CONCLUSION

Based on the above, we are of the view that the establishment of the JV Co is conducted in the ordinary and usual course of business of the Company and on normal commercial terms; and the terms of the Shareholders' Agreement are fair and reasonable and in so far as the interest of the Company and the Independent Shareholders as a whole are concerned and, on such bases, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Transaction.

Yours sincerely,  
For and on behalf of  
**KBC Bank N.V. Hong Kong Branch**

**Kenneth Chan**  
*Head of Corporate Finance, Greater China*

**Gaston Lam**  
*Corporate Finance*

**AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009**

Financial information of the Group for each of the years ended 31 December 2007, 2008 and 2009 is disclosed on pages 59 to 143 of the annual report of the Company for the year ended 31 December 2008 and pages 58 to 138 of the annual report of the Company for the year ended 31 December 2009, both of which are available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.regal.com.hk](http://www.regal.com.hk)).

**UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2009 AND 2010**

Financial information of the Group for each of the six months ended 30 June 2009 and 2010 is disclosed on pages 13 to 32 of the interim report of the Company for the six months ended 30 June 2010 which is available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.regal.com.hk](http://www.regal.com.hk)).

**PRELIMINARY RESULTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2010**

Preliminary results of the Group for the year ended 31 December 2010 is disclosed in the final results announcement for the year ended 31 December 2010 published by the Company on 23 March 2011 which is available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.regal.com.hk](http://www.regal.com.hk)).

**INDEBTEDNESS**

As at the close of business on 28 February 2011, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding borrowings of approximately HK\$5,134.0 million which represented bank loans secured by certain hotel buildings, investment properties, properties held for sale, bank deposits and cash balances of the Group. In addition, as at the close of business on 28 February 2011, part of the Group's bank deposits in the amount of HK\$1,000.0 million were pledged to secure a bank guarantee procured by the Group pursuant to certain lease guarantees in connection with the leasing of certain hotel properties from Regal REIT.

Save as disclosed above and apart from intra-group liabilities, the Group did not have, at the close of business on 28 February 2011, 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****FINANCIAL RESULTS**

For the year ended 31 December 2010, the Group achieved a consolidated profit attributable to shareholders of HK\$6,928.8 million, which is significantly above the comparative amount of HK\$448.0 million (as restated) attained for the preceding financial year.

As explained in the joint announcement dated 2 December 2010 by the Company, Regal REIT, which was formerly treated as an associate, has become a subsidiary of the Group with effect from 23 July 2010. Before the consolidation of Regal REIT, the Group's interest in Regal REIT as at 30 June 2010 was only stated at a very low amount of HK\$218.7 million for reasons previously explained. Consequently, on the consolidation of the assets and liabilities of Regal REIT as a subsidiary of the Group, a very substantial accounting profit of HK\$6,637.4 million was recognised and reflected in the Group's results for the year ended 31 December 2010.

**BUSINESS OVERVIEW****HOTELS****HONG KONG HOTEL MARKET**

2010 was on the whole a favourable year for the tourism and hotel industries in Hong Kong, with particularly strong performance in the fourth quarter. Visitors from all overseas markets generally recorded healthy growth, while the increase in the visitors from Mainland China has been most notable. Total visitor arrivals to Hong Kong during the year hit a new record high of over 36 million, with visitors from Mainland China increased to account for about 63% of the total count.

Visitors from Mainland China are on the whole growing in affluence. Based on the information published by Hong Kong Tourism Board, for the six months from January to June 2010, visitors from Mainland China had the highest Per Capita Overnight Visitor Spending among major market areas, exceeding those from the Americas and Europe. With the further relaxation of the restrictions on overseas travel for the Mainland residents, the visitors from Mainland China are expected to grow in number and will continue to provide substantial support to the tourism and hotel industries in Hong Kong.

According to the Hotel Survey published by Hong Kong Tourism Board, the average hotel room occupancy rate for all hotels in different categories in Hong Kong for the year 2010 was 87%, as compared to 78% in the preceding year, while the average achieved room rate has improved by 13.9%.

**HOTEL OWNERSHIP**

The Group's hotel ownership business is undertaken through Regal REIT, in which the Group is holding approximately 74.4% of its issued units.

For the year ended 31 December 2010, Regal REIT achieved a consolidated net profit before distribution to unitholders of HK\$997.1 million, which was an increase of 46.1% over the comparative amount of HK\$682.3 million (as restated) recorded for the year 2009. Total distributable income for the year amounted to approximately HK\$682.9 million, as compared to HK\$558.2 million for the preceding year.

The second stage conversion project at the Regal iClub Building in Wanchai has been completed in December 2010 and added another 49 fully furnished hotel guestrooms and suites. All the 99 guestrooms and suites in the Regal iClub Hotel are now in full operation. Regal REIT has also completed on 31 December 2010 the transaction to acquire from the Paliburg Group the remaining 25% beneficial interest in this property. The business model of the Regal iClub Hotel has proven to be successful and generated very satisfactory operating results.

All the six Regal Hotels in Hong Kong, namely, Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Oriental Hotel, Regal Riverside Hotel and the latest Regal iClub Hotel, are now wholly-owned by Regal REIT. This hotel portfolio commands an aggregate of 3,929 quality guestrooms and suites and accounts for over 11% of the total High Tariff A and High Tariff B hotel room inventory in Hong Kong. The total valuation of this portfolio amounted to HK\$14,880.0 million as at 31 December 2010, representing an increase of about 4.1% as compared with that of the preceding year end.

Regal Portfolio Management Limited, a wholly-owned subsidiary of the Group, acts as the manager of Regal REIT.

**HOTEL OPERATIONS**

Benefiting from a relatively favourable operating environment and the extensive upgrading works invested over the recent years on enhancing the quality and standards of the hotel properties, the average occupancy rate for the five Regal Hotels in Hong Kong (apart from the Regal iClub Hotel which only came into full operation in December 2010) for the year was 85.8%, representing a year-on-year increase of 15.5%.

Faced with added competition in the airport area, the Regal Airport Hotel has adjusted its marketing strategy to take on some additional tour group businesses, with a view to regaining market share. For the year ended 31 December 2010, the average occupancy rate for this hotel has rebounded by 36.2% which, although had some diluting effect on the average room rate, has served to increase the Revenue per Available Room (RevPAR) by 12.9% as compared with the previous year. The other four Regal Hotels have performed well and achieved a year-on-year increase of 19.6% in average RevPAR.

The five Regal Hotels in Hong Kong (other than the Regal iClub Hotel which is owned and operated by Regal REIT) are under lease by Regal REIT to a wholly-owned subsidiary of the Group. For the years 2011 to 2015, the rental package for the five hotels is subject to annual review and is to be determined by an independent professional property valuer to be jointly appointed by the lessors and the lessee under the lease arrangement. The rental review process to determine the rental package for 2011 has been completed and the aggregate base rent has been determined to be HK\$560 million, with variable rent basing on a sharing of 50% of the excess of the aggregate net property income of the five hotels over the aggregate base rent. Based on present forecasts and barring any unforeseen circumstances, the net property income of these five Regal Hotels in 2011 should well exceed the base rent level.

#### **HOTEL MANAGEMENT**

All the six Regal Hotels in Hong Kong are managed by Regal Hotels International Limited, a wholly-owned subsidiary of the Group.

In China, the Regal Kangbo Hotel in Dezhou, Shandong was soft opened for business in September 2010. This 215-room deluxe hotel is the first five-star international hotel in Dezhou and is also the fifth hotel managed under the Regal name and operating in China. In the year 2010, the Group entered into two management contracts for the provision of hotel management services to a four-star business hotel in Suzhou, Jiangsu, to be named as the Regal Fanhua Center Hotel, and a five-star hotel in Zhengzhou, Henan, to be named as the Regal Yuhong Hotel, respectively. The Regal Yuhong Hotel in Zhengzhou is scheduled to be opened for business in 2012 and the Regal Fanhua Center Hotel in Suzhou in 2013.

Recently, the Group concluded a management contract for a hotel project being constructed on top of a metro station in Foshan, Guangdong, located on the Guangzhou-Foshan railway network. The hotel will be a four-star business hotel with 230 well-appointed guestrooms and is scheduled to be opened in 2013. The Regal Plaza Hotel & Residence located in Waigaoqiao Free Trade Zone in Pudong, Shanghai, which is a hotel with service apartments offering a total of 282 units, is targeted to be soft opened in the second quarter of 2011. This will be the fourth Regal hotel to come on stream in Shanghai and the sixth overall in China.

Backed by its strong operating base in Hong Kong, the Group will continue to expand its hotel network as planned.

#### **PROPERTIES**

The property market in Hong Kong during the year 2010 has been very active and buoyant, with property prices in most sectors reaching new highs. Due to the scarcity of supply of luxury residential properties and the soaring land prices, the Group has been cautious in the sale of the remaining houses held in Regalia Bay, Stanley, Hong Kong. Towards the end of the year 2010, the Group entered into an agreement with the other shareholder in the jointly controlled entity that developed the Regalia Bay project, pursuant to which the Group agreed to acquire from that other shareholder its interests in the

two remaining allocated houses held through the jointly controlled entity. The relevant transaction under the agreement was completed in January 2011. Presently, the Group still owns 21 houses in Regalia Bay, in addition to the two connected houses which have been contracted to be sold and pending completion.

The Group owns a 50% interest in a composite development project in Chengdu, Sichuan. The project has an overall total gross floor area of approximately 5,360,000 square feet and will be developed in stages. The first stage now primarily comprises a five-star hotel and three residential towers, to be constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with total gross floor area above ground of approximately 420,000 square feet. Foundation and basement works for the hotel development have commenced and the first phase of hotel is presently scheduled to be soft opened in the fourth quarter of 2012. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total saleable area of approximately 489,000 square feet. Site preparation and formation works for this part of the development have been completed and the basement works will commence shortly, with overall construction works scheduled to be completed in the fourth quarter of 2012. Presale of the residential units is anticipated to be launched in the first quarter of 2012. Development works for the other stages are planned to be carried out progressively.

With respect to the joint development project in the Central Business District in Beijing, PRC and as previously reported, an associate that is 50% owned by each of the Group and the Paliburg Group, which holds 59% shareholding interest in the Sino-foreign joint venture entities (which, in turn, own the development project), was engaged in arbitration proceedings conducted in Beijing, involving claims against the associate by the vendor for the rescission of the contracts entered into between the parties in 2005 for the purchase by the associate of 36% shareholding interest in the joint venture entities. Although the relevant court rejected the petitions made by the associate for the setting aside of the unfavourable arbitral awards, the associate is still resorting to other available legal means to safeguard the aforesaid 36% shareholding interest and to pursue its legal rights against the vendor. On the other hand, the joint venture entities are encountering various difficult issues including shareholders' disputes, lawsuits raised by the Chinese joint venture partner and a third party, and outstanding issues relating to the land development rights of the project. The associate and the joint venture entities are still in discussions with the Chinese joint venture partner and the relevant government authorities in an attempt to resolve the abovementioned issues. While the Group's management will persist in striving to tackle the overall difficult situation and to protect the Group's interests in the project, due to the lack of progress in resolving various issues for a prolonged period and having taken into account the complications in the overall situation, the Group's management considers it appropriate to make a further provision at the associate's level in respect of its investment in the project in the amount of HK\$801.0 million and 50% of which is attributable to the Group.

**OTHER INVESTMENTS**

The Group holds an investment portfolio consisting primarily of listed investments. The Group also holds within the portfolio a substantial holding of convertible bonds issued by Cosmopolitan group, apart from certain minor holding of issued shares of Cosmopolitan. The fair value gains arising from the securities held in the Cosmopolitan group, which were intended to be held for long term strategic purpose, have been reflected in the consolidated financial statements for the year ended 31 December 2010.

**OUTLOOK**

The continuing integration of Hong Kong with China's economy, which will be heightened through the construction of large scale infrastructure projects and transport networks connecting with the Pearl River Delta region, will increase Hong Kong's competitive edge as an international gateway city. China's 12th Five-year Plan has further endorsed and strengthened the positioning of Hong Kong as an international financial center, an international asset management center and a Renminbi offshore center. In the meantime, Hong Kong is embarking on a number of new tourism projects, such as the Ocean Park redevelopment and the Hong Kong Disneyland expansion, which will all help to maintain Hong Kong as a favourite tourist destination. All these positive factors will boost tourist and business travels to Hong Kong, which will in turn benefit the growth in the future capital value and earnings of the Group's hotel properties.

The property market in Hong Kong continued on the rise during the first few months of the year 2011. Considering the scarcity of supply and the mounting demand for high end luxury properties, management believes that the value of the Group's houses in Regalia Bay will further appreciate.

**WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that after taking into account the internal resources and 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.

## 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 herein or 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 the 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 the chief executive of the Company were taken or deemed 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	Ordinary (i) issued	24,200	494,835,261 <i>(Note a(i))</i>	260,700	495,120,161
		(ii) unissued	20,000,000 <i>(Note a(ii))</i>	—	—	20,000,000
				Total (i) & (ii):		515,120,161 (51.44%)
	Dr Francis Choi Chee Ming	Ordinary (issued)	50,240,000	—	—	50,240,000 (5.02%)
	Ms Belinda Yeung Bik Yiu	Ordinary (unissued)	3,000,000 <i>(Note b)</i>	—	—	3,000,000 (0.30%)

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 Donald Fan Tung	Ordinary (unissued)	2,000,000 (Note c)	—	—	2,000,000 (0.20%)
	Mr Jimmy Lo Chun To	Ordinary (unissued)	1,500,000 (Note d)	—	—	1,500,000 (0.15%)
	Miss Lo Po Man	Ordinary (i) issued	300,000	—	269,169 (Note e)	569,169
		(ii) unissued	3,000,000 (Note b)	—	—	3,000,000
	Total (i) & (ii):					3,569,169 (0.36%)
	Mr Kenneth Ng Kwai Kai	Ordinary (unissued)	2,000,000 (Note c)	—	—	2,000,000 (0.20%)
	Mr Allen Wan Tze Wai	Ordinary (i) issued	10,200	—	—	10,200
		(ii) unissued	800,000 (Note f)	—	—	800,000
	Total (i) & (ii):					810,200 (0.08%)
	2. Regal REIT	Mr Lo	Units (issued)	—	2,420,930,442 (Note g)	—

## Notes:

- (a) (i) The interests in 421,400 issued Shares were held through companies wholly-owned by Century City, in which Mr Lo held 56.44% shareholding interests, and the interests in the other 494,413,861 issued Shares were held through companies wholly-owned by Paliburg, in which Century City held 60.01% shareholding interests.
- (ii) The interests in 20,000,000 unissued Shares were held through the interests in the options granted under the share option scheme of the Company named as “The Regal Hotels International Holdings Limited Share Option Scheme” (the “Share Option Scheme”), entitling the holder thereof to subscribe for a total of 20,000,000 new Shares at an adjusted exercise price of HK\$7.50 per Share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 12 May 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

Exercise period	Number of Shares under vested options
12 May 2007 to 11 May 2011	8,000,000
12 May 2008 to 11 May 2011	4,000,000
12 May 2009 to 11 May 2011	4,000,000
12 May 2010 to 11 May 2011	4,000,000

- (b) The interests in 3,000,000 unissued Shares were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 3,000,000 new Shares at an adjusted exercise price of HK\$7.50 per Share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<b>Exercise period</b>	<b>Number of Shares under vested options</b>
25 July 2007 to 24 July 2011	1,200,000
25 July 2008 to 24 July 2011	600,000
25 July 2009 to 24 July 2011	600,000
25 July 2010 to 24 July 2011	600,000

- (c) The interests in 2,000,000 unissued Shares were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 2,000,000 new Shares at an adjusted exercise price of HK\$7.50 per Share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<b>Exercise period</b>	<b>Number of Shares under vested options</b>
25 July 2007 to 24 July 2011	800,000
25 July 2008 to 24 July 2011	400,000
25 July 2009 to 24 July 2011	400,000
25 July 2010 to 24 July 2011	400,000

- (d) The interests in 1,500,000 unissued Shares were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 1,500,000 new Shares at an adjusted exercise price of HK\$7.50 per Share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<b>Exercise period</b>	<b>Number of Shares under vested options</b>
25 July 2007 to 24 July 2011	600,000
25 July 2008 to 24 July 2011	300,000
25 July 2009 to 24 July 2011	300,000
25 July 2010 to 24 July 2011	300,000

- (e) The interests in 269,169 issued Shares were held by Miss Lo Po Man as the beneficiary of a trust.

- (f) The interests in 800,000 unissued Shares were held through the interests in the options granted under the Share Option Scheme, entitling the holder thereof to subscribe for a total of 800,000 new Shares at an adjusted exercise price of HK\$7.50 per Share (subject to adjustment). The options have vested in stages, commencing with 40% of options granted from two years after the offer date of 25 July 2005 and thereafter a further 20% of options granted for each subsequent year, and are exercisable as follows:

<b>Exercise period</b>	<b>Number of Shares under vested options</b>
25 July 2007 to 24 July 2011	320,000
25 July 2008 to 24 July 2011	160,000
25 July 2009 to 24 July 2011	160,000
25 July 2010 to 24 July 2011	160,000

- (g) The interests in 2,415,643,442 units of Regal REIT were held through wholly-owned subsidiaries of the Company, and the interests in the other 5,287,000 units of Regal REIT were held through wholly-owned subsidiaries of Century City Paliburg, in which Century City held 60.01% shareholding interests, held 49.37% shareholding interests in the Company. Mr Lo held 56.44% shareholding interests in Century City.

Save as disclosed above, none of the Directors or the chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Details of directorships of the Directors in each of the following substantial shareholders of the Company which has an interest in the Shares and underlying Shares as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

- (1) Mr Lo, 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 and Paliburg.
- (2) Mr Lo, Mr Donald Fan Tung and Mr Kenneth Ng Kwai Kai are directors of Century City BVI Holdings Limited, Almighty International Limited, Paliburg Development BVI Holdings Limited, Guo Yui Investments Limited, Paliburg International Holdings Limited, Paliburg BVI Holdings Limited, Taylor Investments Ltd. and Glaser Holdings Limited.

### **3. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS**

Save for Mr Lo whose interest derives from his direct and indirect interest in Paliburg, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Company were made up.

Save for Mr Lo whose interest derives from his direct and indirect interest in Paliburg, 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.

### **4. SERVICE CONTRACTS**

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

**5. LITIGATION**

A subsidiary of the Company that owns the Regal Hongkong Hotel had instituted legal proceedings with the High Court of Hong Kong in 2007 as plaintiff (the “Plaintiff”) against a defendant who is the owner of a neighboring commercial building regarding a claim for reinstatement of easements and rights of way on the 1st floor and basement and for damages for interference during the renovation period of that commercial building (the “Claims”). The defendant made a counterclaim against the Plaintiff with respect to the usage of certain driveway areas on the ground floor of the Regal Hongkong Hotel (the “Counterclaim”).

On 1 February 2010, the High Court released a judgement to dismiss the Plaintiff’s Claims and the defendant’s Counterclaim and made a costs order nisi that the Plaintiff pays the defendant the costs of the Claims and the defendant pays the Plaintiff the costs of the Counterclaim (the “Judgement”). On 26 February 2010, an appeal was filed by the Plaintiff against the Judgement on the Claims made by the High Court and the hearing for the appeal has been re-scheduled to November 2011. The outcome of such appeal remains uncertain at this stage.

Save as disclosed above, 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 and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

**7. MATERIAL CONTRACTS**

None of the members of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular that are or may be material.

**8. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given its opinion or advice on the information contained in this circular:

<b>Name</b>	<b>Qualification</b>
KBC	KBC Bank N.V., acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, KBC had no interest in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and KBC had no interest, either directly or indirectly, in any assets which have since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

KBC has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

**9. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the office 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 the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2008 and 2009 and the interim report of the Company for the six months ended 30 June 2010;
- (c) the final results announcement for the year ended 31 December 2010 published by the Company on 23 March 2011;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 11 of this circular;
- (e) the letter from KBC to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 12 to 18 of this circular;
- (f) the written consent from KBC referred to in paragraph headed “Qualification and consent of expert” in this Appendix;
- (g) the Shareholders’ Agreement; and
- (h) the circular of the Company dated 17 May 2010 in relation to the extension of the maturity date and conversion period of zero coupon guaranteed convertible bonds issued by Fancy Gold Limited, a wholly-owned subsidiary of Cosmopolitan International Holdings Limited, with a principal amount of HK\$141.45 million held by the Group, which constituted a discloseable and connected transaction for the Company.

**11. GENERAL**

- (a) The head office and principal place of business of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong. The registered office of the Company is located at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (b) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Ms Lam Sau Fun, Eliza, an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

---

## NOTICE OF THE SGM

---



**NOTICE IS HEREBY GIVEN** that the special general meeting of Regal Hotels International Holdings Limited (the “Company”) will be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 28 April 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

### ORDINARY RESOLUTION

“**THAT:**

- (a) the establishment of a joint venture company to be incorporated in the British Virgin Islands with limited liability (“JV Co”) by Capital Merit Investments Limited (“Capital Merit”), a wholly-owned subsidiary of Paliburg Holdings Limited, and Regal Hotels Investments Limited (“Regal Investments”), a wholly-owned subsidiary of the Company, on a 50:50 basis and upon the terms and subject to the conditions of the conditional shareholders’ agreement dated 17 March 2011 entered into between Capital Merit, Paliburg Holdings Limited as guarantor of Capital Merit, Regal Investments and the Company as guarantor of Regal Investments (the “Shareholders’ Agreement”, a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose) and the performance of the transactions contemplated under the Shareholders’ Agreement be and are hereby approved; and
- (b) any two directors of the Company be and are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any documents, instruments and agreements and to do any acts or things as may be deemed by them in their absolute discretion to be necessary or incidental to, ancillary to or in connection with the matters contemplated in the Shareholders’ Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 8 April 2011

*Registered Office:*  
Rosebank Centre,  
11 Bermudiana Road,  
Pembroke,  
Bermuda

*Head Office and Principal Place of Business  
in Hong Kong:*  
11th Floor, 68 Yee Wo Street  
Causeway Bay  
Hong Kong

---

## NOTICE OF THE SGM

---

**Notes:**

1. Any member of the Company entitled to attend and vote at the meeting of the Company may appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and attend and vote on his behalf at the meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same power on behalf of such member of the Company which he or they represent as such member of the Company could exercise.
2. In order to be valid, the instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
3. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than forty-eight (48) hours before the time appointed for the holding of the meeting or any adjournment thereof.
4. Delivery of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to have been revoked.
5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. At the meeting, the chairman thereof will exercise his power under bye-law 79 of the bye-laws of the Company to put the above resolution to the vote of the members of the Company by way of poll.